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Chapter 1 General Guidance

A. Introduction

The Department is committed to preparing and publishing complete, concise, understandable, and meaningful information about the financial and operating performance of the Department and the individual Bureaus, offices, and programs, which comprise the Department. The Chief Financial Officers' Act (CFO Act), as amended by the Government Management Reform Act (GMRA), and the Office of Management and Budget (OMB) implementation guidance for the **form and content of agency financial statements required** agencies to prepare and publish annual agency-wide financial statements by **January 31**, of the year following the end of the fiscal year.

The Department'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 decision-making is reliable, verifiable, and consistent with the annual audited financial statements.

Effective in 2002, the Department is required to prepare a combined Accountability and Performance Report each year 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 demonstrates Interior's stewardship over the assets, missions and responsibilities entrusted to it. The report integrates 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.

The Department's financial reporting strategy also includes the preparation of bureau annual financial reports, which contain audited financial statements. The Department believes there are significant and long-term benefits of bureau-wide statements. This includes verification of the financial and cost accounting data used by management, presentation of a clear and concise summary of bureau operations, accomplishments and concerns, and identification and correction of operating weaknesses such as inventory management and collection of accounts receivable by working capital funds.

Beginning in FY 2002, the Department will **combine the "Annual Performance Report" with the Accountability Report. All bureau and Departmental performance measures will be included in the Departmental Annual Report on Performance and Accountability. Information on all performance measures will be presented in the "Other Accompanying Information" section of the Report. In addition, information on selected measures will be presented in the Management Discussion and Analysis section. The Bureaus must ensure that performance data is made available for the Departmental Annual Report on Performance and Accountability by submitting this data in a timely manner through the Office of Planning and Performance Management (PPP).**



Specific guidance related to the collection of performance information will be issued by PPP.

B. General Guidance

The Department's goal is to prepare timely, unqualified bureau and consolidated financial statements and make financial management information accessible throughout the year. The guidance put forth in this document is to ensure the goal will be met. See **Appendix A for Key Milestones**.

1. *Completion of Audits and Submission of Financial Data*

In order to complete the FY 2002 Consolidated Financial Statements by the January 31st due date, audit fieldwork on the bureau financial statements and footnotes must be completed by **November 29, 2002**. This necessitates that the year-end close take place by November 1, 2002, and a draft financial report be provided to the auditors by November 15, 2002.

Each bureau should prepare a summarized timetable of major milestones. Each bureau in consultation with their auditors should complete this timetable. Adherence to milestones and planned completion dates is critical to complete the bureau and consolidated reports in a timely manner. If at any point it appears that the bureau will not be able to meet the overall due dates, please contact Debra Carey.

Bureaus should also work with the auditors prior to year end to identify any issues that might delay the audit. In addition, preliminary financial statement formats, pro forma footnotes, overview material, and supplemental data should be drafted prior to year end, and agreement reached on the general presentation and crosswalks prior to finalization of the financial data.

2. *Financial Statements*

Office of Management and Budget (OMB) Bulletin No. 01-09, "*Form and Content of Agency Financial Statements*", requires the use of the statement formats presented below. Comparative data (two years) is required for statement (a), (b) and (d) below. **Effective FY 2003, comparative data is required for all statements.** Statements containing comparative data allow the reader to make appropriate comparisons with prior periods. Although comparative statements displaying three or four years are not required, Bureaus should prepare comparatives for their own analysis in order to identify large changes in balances.

Additionally, all statements are presented on a consolidated basis except (e) above.



- a. 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 reporting, amounts owed by the entity (liabilities), and amounts which comprise the difference (net position).
- b. Statement of Net Cost: Shows the gross cost incurred by the reporting entity less any exchange revenue earned from its activities.
- c. Statement of Changes in Net Position: Reports the change in net position during the reporting period.
- d. Statement of Custodial Activity: Presents the sources and disposition of custodial revenues. At this time, this is only applicable to MMS Royalty related collections.
- e. Combined Statement of Budgetary Resources: Provides information about how budgetary resources were made available as well as their status at the end of the period.
- f. Statement of Financing: Reconciles the budgetary information to accrual cost information and **ensures** a proper relationship between proprietary and budgetary accounts in the financial management system.

Each bureau is responsible for communicating to its auditors expected changes in the types of financial and non-financial data presented in the overview, footnotes and supplemental data as well as exact financial statement and segment statements to be prepared. Second quarter reports should be used to illustrate the intended year-end presentation.

- The Chart of Accounts and financial crosswalks can be obtained by referring to the appropriate reports. Contact Debra Carey for assistance.
- Bureaus are not expected to recreate these crosswalks, as the data is available in Hyperion.
- The reports should be available in Hyperion Reporting. The report titles are specific to each bureau. For example, the Balance Sheet for Bureau of Reclamation is: BOR_BS.
- Hyperion Retrieve reports should have an identifiable name and should be saved in a place that the Auditors can locate.

3. ***Quarterly Process***



- Quarterly data beginning with 2nd quarter of FY2002 is required.
- Load quarterly trial balance data into Hyperion Enterprise application.
- Prepare a complete set of unadjusted financial statements. (**Adjustments are optional.**)
- Send financial statements, analysis and reconciliation results to Bureau CFO and PFM.

4. *Year End Process*

- Load August 31 data into Hyperion as reflected in the Core Accounting System, for year end close analysis.
- Load pre-close unadjusted trial balance data (e.g. 12th or 13th month, **as applicable**) into Hyperion Enterprise Application.
- Prepare a complete set of financial statements.
- Send financial statements, analysis and reconciliation results to Bureau CFO and PFM.

5. *Interim Unaudited Financial Statements (FY2002 Requirement Only)*

- The 2nd quarter data will be used for the interim financial statements to support the government-wide financial statements.

6. *Transmittal of Annual Financial Reports*

In order to deliver the annual financial reports to the Office of Management and Budget by January 31, 2003, PFM must receive the bureau's "glossy" annual financial statements no later than **December 27, 2002**.

The transmittal to PFM should include **15 copies** of the bureau's printed annual report **for submission to OMB and other outside parties**. A cover memo from the Bureau Director is not required.

C. **Authoritative Hierarchy**

On October 19, 1999, the American Institute of Certified Public Accountants' (AICPA) Council designated the Federal Accounting Standards Advisory Board (FASAB) as the accounting standards-setting body for Federal government entities under Rule 203 of the AICPA's Code of Professional Conduct. With this designation, Federal Government reporting entities will be able to obtain audit opinions that indicate that the financial statements are presented in conformity with generally accepted accounting principles (GAAP).

1. *Statements of Federal Financial Accounting Standards*



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>.

- SFFAS #1: Accounting for Selected Assets and Liabilities
- SFFAS #2: Accounting for Loans and Loan Guarantees
- SFFAS #3: Accounting for Inventory and Related Property
- SFFAS #4: Managerial Cost Accounting
- 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
- SFFAS #8: Stewardship Reporting
- SFFAS #9: Deferral of the Cost Accounting Standard
- SFFAS #10: Accounting for Internal Use Software
- SFFAS #11: Amendments to Accounting for Plant, Property & Equipment –
Definitional Changes - Amends SFFAS #6 & #8
- SFFAS #12: Recognition of Contingent Liabilities Arising from Litigation:
Amends SFFAS #5
- SFFAS #13: Deferral of Paragraph 65.2 – Material Revenue-Related
Transactions Disclosures - Amends SFFAS #7
- SFFAS #14: Amendments to Deferred Maintenance Reporting – Amends
SFFAS #6 & #8
- SFFAS #15: Standards for Management’s Discussion and Analysis
- SFFAS #16: Amendment to Accounting for Plant, Property & Equipment:
Multi-Use Heritage Assets - Amends SFFAS #6 & #8
- SFFAS #17: Accounting for Social Insurance
- SFFAS #18: Amendment to Accounting Standards for Direct Loans and
Loan Guarantees
- SFFAS #19: Technical Amendments to Accounting for Direct Loans and
Loan Guarantees (effective October 1, 2002)
- SFFAS #20: Elimination of Certain Disclosures
- SFFAS #21: Reporting Corrections of Errors and Changes in Accounting
Principles
- SFFAS #22: Change in Certain Requirements for Reconciling Obligations
and Net Cost of Operations

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

2. *Interpretations of SFFAS*



Five interpretations of Federal Accounting Standards have been issued. They are:

- a. Interpretation # 1: Reporting on Indian Trust Funds in General Purpose Financial Reports of the Department of the Interior and in the Consolidated Financial Statements of the United States Government: An Interpretation of SFFAS # 7.
- b. Interpretation # 2: Accounting for Treasury Judgment Fund Transactions: An Interpretation of SFFAS # 4 and SFFAS # 5. This interpretation requires that the agency report the liability and expense related to claims and lawsuits against it, regardless of whether the agency or the Judgment Fund would ultimately pay those claims.
- c. Interpretation #3: Measurement Date for Pension and Retirement Health Care Liabilities.
- d. Interpretation #4: Accounting for Pension Payments in Excess of pension Expense.
- e. Interpretation #5: Recognition by Recipient Entities of Receivable Non-exchange Revenue: An Interpretation of SFFAS #7.

3. ***OMB Form and Content Guidance***

OMB Bulletin No. 01-09, “*Form and Content of Agency Financial Statements*,” can be found on OMB’s web page. Note that the provisions of published SFFAS and interpretations take precedence over OMB Form and Content Guidance.

4. ***Other Authoritative Guidance***

If questions arise regarding issues that are not addressed by SFFAS or OMB Form and Content guidance, 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).

5. ***Statements of Federal Financial Accounting Concepts***

Statements of Federal Financial Accounting Concepts (SFFAC) are not authoritative, per se, and do not have required implementation dates. Three have been issued to date:

| | |
|-----------|---|
| SFFAC #1: | Objectives of Federal Financial Reporting |
| SFFAC #2: | Entity and Display |
| SFFAC #3: | Management’s Discussion and Analysis |



The Entity and Display document contains very useful guidance regarding the completeness of the entity (i.e. which funds and commissions should be included in the reporting entity) and the presentation of financial information. OMB will rely on these concepts when establishing Form and Content Guidance and in answering any questions regarding what activities should be included as part of the reporting entity.

6. ***Outstanding Exposure Drafts***

Exposure Drafts currently under review are:

- a. Preliminary Views on Eliminating the Category Required Supplementary Stewardship Information
- b. Eliminating the Category National Defense Property, Plant, and Equipment
- c. Selected Standards for the Consolidated Financial Report of the United States Government
- d. Target Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government.
- e. Assigning Costs & Liabilities to Agencies that Result from Legal Claims against the Federal Government
- f. Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment.

D. **Completeness of the Reporting Entity**

Each bureau is responsible for ensuring all of their trial balances are loaded into Hyperion Enterprise including funds managed by the bureau, but reported by others. This includes trial balances for Conservation Funds and MMS Custodial Activity. Each bureau is also responsible for ensuring all funds and activities are properly reported in the bureau financial statements. Recent guidance, including **SFFAC #2**, “Entity and Display” and statements from OMB, has emphasized that the ultimate objective is that the reporting entity should be complete.

SFFAC #2 lists various criteria to use when determining whether a fund, commission or activity is part of the reporting entity. The general rule is that if the Treasury Fund Symbol of an activity indicates that it is part of a bureau, it should be reported in the financial statements of that bureau. Inclusion in the budget is referred to as the “conclusive criterion.”

There may be instances when funds, commissions or activities are excluded from the



budget for political or other reasons, but which, for completeness, should be included as part of the reporting entity. **SFFAC #2** lists a number of “indicative criteria” for use in determining whether a given activity should be included as part of the reporting entity. The indicative criteria must be considered in their entirety using professional judgment and the facts and circumstances of the activity. There is no formula that specifies a certain conclusion when a certain number of indicative criteria are met by the activity.

Common Issues

- Miscellaneous Receipts:** As a rule, transactions to record miscellaneous receipt activity (i.e. where funds are collected by the bureau as a result of bureau operations or activities and later forwarded to Treasury) should be reflected in the bureau’s financial statements, including entries to revenue, transfers out and/or accounts payable as appropriate.

- Allocation Transfers: To be determined**
 - **Job Corps:** Job Corp sites operated by Department under transfer appropriations from the Department of Labor should be reported as part of the bureau financial statements. This is consistent with the accounting treatment of other transfer appropriations received by the Department.



Chapter 2 Balance Sheet

The balance sheet presents amounts of future economic benefits owned or managed by the reporting entity (assets) exclusive of items subject to stewardship reporting, 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.

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 that have probable economic benefits that can be obtained or controlled by a federal government entity.

1. Asset Classifications

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.

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. Disclose both entity and non-entity assets in the footnotes. (Due to Custodial Activity, MMS may continue to report these separately on the face of the statements.)

Restricted Assets: **In general, large trust funds that are outside the scope of bureau day-to-day operations are presented by Interior as "Restricted Assets".** These are assets that are essentially a subset of entity assets (entity-restricted). There are five types of Restricted Assets within the Department:

- (1) Land and Water Conservation Fund
- (2) Historic Preservation Fund
- (3) Reclamation Fund



- (4) Environmental Improvement and Restoration Fund
- (5) Aquatic Resources Trust Fund

Note: A portion of the Aquatic Resources Trust Fund is specifically earmarked for other federal agencies, thus this portion would be non-entity.

- Ensure appropriate subtotals exist in Hyperion Enterprise for properly accumulating this data.

Intra-governmental Assets: These assets arise from transactions among Federal entities. These assets are claims of a Federal entity against other Federal entities. Intra-governmental assets include an entity's fund balance with Treasury, investments in Treasury securities, accounts and interest receivable from federal entities, and advances and repayments 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 does not present negative balances.**

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

2. **Property, Plant and Equipment**

a. ***General Property, Plant and Equipment***

The Statement of Federal Financial Accounting Standards (SFFAS) #6, "Accounting for Property, Plant and Equipment" provides accounting requirements for federally owned property, plant and equipment. Areas with particular Departmental guidance are noted below.

Physical count:

- Conduct inventories in accordance with guidance from property office.
- For financial reporting purposes, real property should be inventoried on the cyclical basis over a 5-year period or on a valid



statistical basis but not necessarily 100% every year.

- Property reconciliation must be completed for the third quarter and year-end for FY2002 and completed quarterly during FY2003.
 - Ensure subsidiary ledger has been tied to general ledger.
 - Ensure any reconciliation items are supported.

Thresholds:

- Capitalization thresholds must be disclosed in the footnotes.
- For capitalization threshold for real and personal property, the Bureaus will continue to use the thresholds established in prior years. **DOI will look into issue at a later date.**

Depreciation:

- Depreciation calculation method must be disclosed in the footnotes.

Useful life:

- Refer to GSA schedule or IRS schedule or any reliable independent source, or document the rationale.

Transfers:

- Transfer of property, plant and equipment between Government Agencies must be at net book value unless unattainable, otherwise record the fair market value.

Obsolete property, plant and equipment:

- Remove obsolete property, plant and equipment from the accounting records.

Internal Use Software

- SFFAS #10 states the net book value will be used Government-wide. If the net book value is over \$100,000, then it should be capitalized. The useful life is 2-5 years.

See Appendix B for Standard for Capitalizing the Cost of Internal Use Software Memo.

b. ***Leases***



The SFFAS #6 requires recognition of capital leases as well as disclosures related to capital and operating leases.

Capital Leases: These are leases that transfer substantially all the benefits and risks of ownership to the lessee. If, at its inception, a lease meets one or more of the following four criteria, the lessee should classify the lease as a capital lease.

- (1) The lease transfers ownership of the property to the lessee by the end of the lease term.
- (2) The lease contains an option to purchase the leased property at a bargain price.
- (3) The lease term is equal to or greater than 75 percent of the estimated economic life of the leased property.
- (4) The present value of rental and other minimum lease payments, excluding that portion of the payments representing executory cost, equals or exceeds 90 percent of the fair value of the leased property.

- Bureaus should review their records for capital leases and record in accounting system before KPMG review.
- If capital and operating leases are determined to be immaterial, Bureaus should document this conclusion in work papers and make this analysis available to the auditors, if requested.

Operating Leases: These are leases that do not meet any of the above criteria.

- Disclosure should discuss:
 - (1) Property leases from GSA
 - (2) Other leases for real property
 - (3) Personal property.
- PFM will estimate GSA leases in a consistent manner based on data provided from GSA.
- Bureaus will be responsible for estimating other real property and personal property leases.
- Bureaus should estimate future lease payments for **each** of the next 5 years and **the lump sum estimate of future years after the five years for all three types of leases.**

A file titled **Determination of Capital Leases** has been placed on the



“XA” server:\burinfo\2002-reports to assist Bureaus in determining if a lease should be classified as a capital lease.

See Appendix C: SAMPLE - Determination of Capital Leases

c. ***Deferred Maintenance***

The Statement of Federal Financial Accounting Standards #6, “*Accounting for Property, Plant and Equipment*,” requires annual disclosure of the estimated cost to remedy accumulated deferred maintenance on Interior plant, property, and equipment (PP&E) beginning in 1998. Both General PP&E and Stewardship PP&E are included. At a bureau option, the deferred maintenance cost may be further divided between “critical” and “non-critical.”

As a general rule, deferred maintenance is not estimated on equipment. However, if the nature of operations is such that deferred maintenance on equipment is considered to be significant and meaningful, the bureau may report this information. In this case, deferred maintenance on equipment should be separately disclosed.

The Department has developed a Five-Year Plan that provides a framework for improved planning and management to maintenance and construction programs and better defines accumulated deferred maintenance funding needs. In developing the Five-Year Plan, the Department established uniform criteria critical health and safety and resource protection projects, and through rigorous screening, prioritized the projects based on these criteria. Maintenance and Construction projects in the Five-Year Plan are ranked in accordance with established criteria, with greatest emphasis applied to deferred maintenance needs in critical health and safety and resource protection. Deferred maintenance reported for financial statement purposes should be reported consistent with the information in section (3.c.) below. This information should not include annual maintenance or capital improvements as defined in the Department’s Budget Request Formulation Guidance. Bureaus not covered by the Interior and Related Agencies Appropriations must still accumulate data in accordance with this guidance for purposes of inclusion of deferred maintenance information in annual financial reports.

FASAB requires that all deferred maintenance be reported regardless of when it might be performed, not just that included in the Five-“Year Plans. The long-term goal is to have deferred maintenance backlog information based on condition assessments recorded in a facilities maintenance management information system.



To comply with this requirement and the associated audit, all deferred maintenance should be disclosed including deferred maintenance identified in the Five-Year Plans, and any other deferred maintenance needs and/or projects to be performed in years beyond the Five-Year Plans.

When projects on the Five-Year Plan lists contain both deferred maintenance and capital improvement work, it is important to only report the estimated cost of the deferred maintenance.

(1) Categories of Deferred Maintenance

The deferred maintenance categories in the Five-Year Plan are as follows:

- (a) **Critical Health and Safety Deferred Maintenance:** A facility deferred maintenance need that poses a serious threat to public or employee safety or health.

Examples:

- A public building that is diagnosed to be at high risk for structural failure.
- Compliance with Notices of Violation (OSHA, EPA, etc.)
- Implementation of court-ordered repair or clean-up schedules.
- Safety deficiencies at “High Hazard” and “Significant Hazard” dams that if not corrected may cause the structure to fail, resulting in public or employee injury or death.
- Road projects (non-ISTEA eligible) to correct serious safety deficiencies.
- Repair of a failing fire alarm and/or existing sprinkler system.

- (b) **Critical Resource Protection Deferred Maintenance:** A facility deferred maintenance need that poses a serious threat to natural or cultural resources.

Examples:

- Deficiencies that poses the risk of serious decline in a fish or wildlife resource.
- Repairs to a building housing a museum collection that is threatened because of the poor building condition.
- Repair of a sewage system that has breached and is leaking into a perennial stream system.



- Repairs to cultural/historic facilities and/or fabric to prevent loss.
- (c) Critical Mission Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to a bureau's ability to carry out its assigned mission.

Examples:

- Deficiency in electrical power generation capacity resulting from deferred maintenance.
 - Repair of deferred maintenance items at a visitor center or other public facility that if not accomplished will quickly compromise the public's investment in the structure.
- (d) Compliance and Other Deferred Maintenance: A facility deferred maintenance need that will improve public or employee safety, health, or accessibility; compliance with codes, standards, laws, complete unmet programmatic needs and mandated programs; protection of natural or cultural resources to a bureau's ability to carry out its assigned mission.

Examples:

- Providing universal ADA accessibility.
- Compliance with Federal, state, and/or local building codes.
- Facility repair or rehabilitation to increase program efficiency.
- Energy conservation projects.

Note: Needs identified under this category should be coded to enable retrieval of those needs addressing health, safety, accessibility, and other code compliance requirements ("unfunded requirements").

(2) Condition Assessment

The assessment of deferred maintenance for the Department is dependent upon the Bureaus having accurate and complete facilities information. In order to ensure that the most critical needs are being addressed, it is essential that the Bureaus have a complete inventory of their constructed assets and identify the cost of correcting the deferred maintenance needs associated with those assets. The Department's Five-Year Deferred Maintenance and



Capital Improvement Plan covers deferred maintenance including all unfunded work required to bring a facility and its collateral equipment to a condition that meets accepted codes, laws, and standards (e.g. life safety code, ADA, environmental regulations, etc.); and to preserve the facility so that it continues to provide acceptable services and achieves its expected life.

In addition, accumulation of facility data will provide the necessary information for compliance with the Federal Accounting Standard that requires annual reporting of deferred maintenance of fixed assets (SFFAS #6, Accounting for Property, Plant and Equipment). Interior has chosen condition assessment as the method to be used for determining the deferred maintenance for each class of constructed asset.

The following steps are required to achieve Interior-wide consistency in determining the physical condition of constructed assets:

- (b) Initiate a uniform methodology and a core data set for the facility condition assessments so as to ascertain the deferred maintenance and repair needs of all existing facilities and validate facility inventories.
- (c) Ensure competent and qualified personnel using uniform, comprehensive survey criteria conduct the condition assessments.
- (d) Develop automated systems that accurately document facilities' needs; can be easily reviewed and updated by field and regional staffs; and are capable of being aggregated to any bureau and Department level. Documentation should include standard need descriptions and associated cost estimating procedures.
- (e) Establish for each bureau a cyclic/recurring condition assessment process where qualified personnel conduct on-site inspections at a minimum every five years to determine the condition and accuracy of the inventory and deferred maintenance needs.

It is understood that it will take a multi-year effort for the Bureaus to accomplish complete condition assessments on all of their constructed assets. However, over time the process of cyclic condition assessments will greatly improve the quality of the Five-Year Plans as annual updates are made with better facility needs data.

(3) Definitions (Source: 2003 Budget Request Formulation Guidance)

(a) Deferred Maintenance

Deferred maintenance is defined in SFFAS #6 as maintenance that was not performed when it should have been or when it was scheduled and which, therefore, was put off or delayed for a future period.

1) Deferred maintenance needs may be further categorized in two tiers, critical and non-critical. Delaying correction of non-critical needs may result in their becoming critical facility or equipment deficiencies at a future time.

2) Code compliance (e.g. life safety, ADA, OSHA, environmental, etc.) and other regulatory or Executive Order compliance requirements not met on schedule are considered deferred maintenance. Construction of new facilities would be expected to comply with all codes and other requirements, as would major expansions of existing facilities.

3) Deferred Maintenance Backlog

The accumulated unfunded or otherwise delayed work required to bring facility or item of equipment to a condition that meets accepted codes, laws, and standards and preserves the facility or equipment so that it continues to provide acceptable services and achieves its expected life.

4) Facility or Equipment Deficiency

Defects occur when maintenance is not performed in a timely manner. Deficiencies may or may not have immediately observable physical consequences, but when allowed to accumulate, they inevitably lead to deterioration of performance or loss of asset value or both. An accumulation of such uncorrected deficiencies is a backlog that represents impairment (in both physical and financial terms).

5) Health and Safety Deficiency



A facilities or equipment deficiency that poses a threat to human safety and health (e.g. violations of National Fire Protection Association 101 Life Safety Code or appropriate Health Code) that requires immediate interim abatement and/or long-term permanent abatement.

(b) Repair

Work to restore a damaged, broken, or worn-out facility, facility component, or item of equipment to normal operating condition.

- Repairs are either annual maintenance or deferred maintenance activities. Repairs are usually smaller in scope than rehabilitations.

(c) Rehabilitation (without expansion or change of function)

Renovation of an existing facility or any of its components in order to restore and/or extend the life of the facility. Because there is no expansion or change of function, the work primarily addresses deferred maintenance.

(d) Replacement

Substitution or exchange of one existing facility, facility component, or item of equipment for another having the capacity to perform the same function.

- Replacement is considered maintenance because the deferred maintenance needs for the replaced facility or item of equipment are eliminated. The decision to replace a facility or item of equipment usually is reached when replacement is more cost effective or in the best interest of the government rather than repair or rehabilitation. The size of the existing facility is not expanded in a replacement. Replacement of an item of equipment usually occurs when it has exceeded its useful life.

(f) Demolition and Disposal

Dismantling and removal, or surplusing of a deteriorated or otherwise unneeded facility or item of equipment, including



necessary clean-up work. This generally would not be considered deferred maintenance.

(f) Condition Assessment

Periodic inspection by qualified personnel to fully determine and document the condition of a facility or item of equipment and identify maintenance needs.

Facilities and items of equipment are categorized according to condition using codes such as those shown below:

Good - Facility/equipment condition meets established maintenance standards, operates efficiently, and has a normal life expectancy. Scheduled maintenance should be sufficient to maintain the current condition.

Fair - Facility/equipment condition meets minimum standards but requires additional maintenance or repair to prevent further deterioration, increase operating efficiency, and to achieve normal life expectancy.

Poor/Unsatisfactory - Facility/equipment does not meet most maintenance standards and requires frequent repairs to prevent accelerated deterioration and provide a minimal level of operating function. In some cases this includes condemned or failed facilities. Based on periodic condition assessments, and indicator of condition is the percent of facilities and items of equipment in each of the good, fair, or poor categories.

(4) Disclosures

- (a) The SFFAS#6 requires that deferred maintenance information be disclosed as required supplemental information (RSI). Thus, a line for “deferred maintenance” is no longer required on the Statement of Net Cost with a reference to a note disclosure to the financial statements.
- (b) The SFFAS #8 requires stewardship assets be reported as required supplemental stewardship information. Thus, deferred maintenance related to general PP&E and to stewardship assets must also be disclosed separately.



- (c) Stratification between “critical deferred maintenance” and “non-critical deferred maintenance” is considered an optional disclosure. These terms used in the FY2001 Budget Guidance may not necessarily have the same meaning as SFFAS#6. Therefore, if Bureaus elect to differentiate between critical and non-critical deferred maintenance, the disclosure shall include the definition of these categories.
- (d) Additional disclosure information
- 1) Disclosures should also include information to disclose the imprecise nature of the estimate. For example, the estimate may be imprecise due to:
 - Age of original estimate
 - Lack of condition assessments
 - Lack of documentation - reliance (by necessity) on professional judgment of numerous, varied individuals throughout the organization
 - Lack of existing system to track deferred maintenance estimates, thus items of deferred maintenance may be excluded or double counted
 - Factors outside of management control - e.g. finding different situation once construction begins
 - The quality and availability of data may vary according to different types of property
 - Etc.
 - 2) A detailed breakout by type of property can either imply precision or be used as a basis for describing varying levels of precision (imprecision) for different types of activity. Thus, use any breakdowns of the dollars to communicate varying levels of precision. Use a limited number of categories.
 - 3) Include a summary of the bureau’s plans to improve the process for collecting deferred maintenance data. For example, “a major initiative is underway to...” or “we have begun a multi-year effort to...”
 - 4) Sample Deferred Maintenance Disclosures



- Discussion of deferred maintenance condition assessment process with a brief explanation of the categories and definitions used.
- Bureau owns/purchases/constructs assets such as...
- These assets are used to (examples of supporting the mission)...
- There is, however, a significant maintenance backlog relative to these assets, arising from...
- The estimated amount necessary to correct this backlog ranges from \$x to \$y. Since the actual cost of correcting deferred maintenance will not be known until the work is performed, this range is by necessity an estimate. The following factors were considered in arriving at this estimate:
 - (a) This estimate includes property such as...
 - (b) This estimate excludes property such as...
 - (c) This estimate includes items such as (overhead, internal employee costs, etc.)
- This estimate excludes items such as (routine maintenance, etc.)...
- The Bureau's plans for periodic condition assessments are...these have begun / will begin when. In the meantime, the Bureau used...to estimate condition and deferred maintenance.
- The scope and nature of certain property, such as..., is such that annual condition assessments will never be feasible (e.g. each BLM employee would have to review thousands of acres of land per year, etc.)
- Other factors considered by the Bureau in determining the estimate include...

(5) Submission of Data

See Appendix D for Deferred Maintenance Data Request.

3. **Other Assets**

Other Assets includes those assets not reported in a separate category on the face of the balance sheet.



- Bureaus should include a description or schedule of other assets in the footnotes.

B. Liabilities

A liability is a probable future outflow or other sacrifice of resources as a result of past transactions or events.

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.

Liabilities Covered by Budgetary Resources (Funded): 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 as of the balance sheet date provided that the resources may be apportioned by OMB without further action by the Congress and without a contingency having to be met.

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: (1) new budget authority, (2) spending authority from offsetting collections (credited to an appropriation or fund account), (3) recoveries of unexpired budget authority through downward adjustments of prior year obligations, (4) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, and (5) permanent indefinite appropriations or borrowing authority, which have been enacted and signed into law as of the balance sheet date, provided that the resources may be apportioned by OMB without further action by the Congress or without a contingency having to be met first.

- Post the primary portion of accrued funded payroll SGL Account 2210 *Accrued Funded Payroll and Leave.***

- Post the tax portion of accrued funded payroll to SGL Account 2213 *Employer Contributions and payroll Taxes Payable.***

Liabilities Not Covered by Budgetary Resources (Unfunded): These are liabilities not considered to be covered as described in the above paragraph.

- Use SGL Account 2400 *Liability for Deposit Funds, Clearing Accounts and Undeposited Collections* only in clearing or deposit accounts.**



- Adjust unfunded accrued annual leave to include payroll taxes payable and the related taxes to be posted to SGL Account 2290 *Other Unfunded Employment Related Liability* with the appropriate trading partner of G.99.
- Combine liabilities covered and not covered by budgetary resources on the face of the balance sheet. Disclose liabilities not covered by budgetary resources in the footnotes.

Intra-governmental Liabilities: These liabilities are claims against the entity by other Federal entities. Intra-governmental liabilities include accounts and interest payable to federal entities and other current liabilities due to federal entities, such as receipt of federal advances and prepayments.

- Report intra-governmental liabilities separately from claims against the reporting entity by non-Federal entities, the Federal Reserve, and government-sponsored enterprises.
- Ensure federal versus public breakouts does not present negative balances.

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

2. Accruals

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) has been received or sent as of September 30. This is accomplished by the recognition of accruals at year end.

Common types of accruals:

- a. 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:
 - (1) Services performed by employees, contractors, other Government accounts, vendors, carriers, grantees, lessors, and other payees
 - (2) Goods and other tangible property received prior to year end



- (3) Other routine transactions such as utility charges and Federal Express bills
- b. Recognition of revenue and a related receivable where services have been provided to customers or goods has 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.

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 accrual, 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.

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.

- The required accruals for 2nd quarter reporting is as follows:
- ❖ Depreciation to include all PP&E
 - ❖ Payroll and associated benefits
 - ❖ Accounts Payable funded at a high level (i.e. month of April)
 - ❖ Accounts Payable unfunded
 - ❖ FECA
 - ❖ Imputed Costs
 - ❖ Eliminations (DOI, Government wide, within bureau).

For elimination entries, each bureau has been severely impacted by the Internet shutdown. Every bureau should give elimination identification their best effort but may be limited as of 2nd qtr. This limitation must be resolved by June 30, 2002.



- Bureaus should consider using SGL Account 2190 *Other Accrued Liabilities* for accruals to facilitate reconciliation of subsidiary ledgers but may also use SGL Account 2110 *Accounts Payable*.

3. 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 Justice Department 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
- Reimbursement is required for disbursements made from Treasury fund 20X1743.

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.

- Record Judgment Fund transactions originating as **unfunded** as follows:
 - (DR) SGL Account 6800 *Future Funded Expenses*
 - (CR) SGL Account **299J Other Liabilities – Judgment Fund**
- Record the reversal of the above entry once the payable becomes funded (billed by Treasury via IPAC) as follows:
 - (DR) SGL Account **299J Other Liabilities – Judgment Fund**
 - (CR) SGL Account 6800 *Future Funded Expenses*
 - (DR) SGL Account **610A Operating Expenses/Program Costs**
 - (CR) SGL Account 1015 *SF224 Disbursements*
 - (DR) SGL Account **4610 Allotments – Realized Resources**
 - (CR) SGL Account 4902 *Delivered Orders – Obligations, Paid*
 - (DR) SGL Account **3103 Unexpended Appropriations – Transfers-Out (if applicable)**



(CR) SGL Account 570A Appropriations Used – Operating Expense (if applicable)

- Record Judgment Fund transactions originating as funded as follows:

SGL Account 299F *Other Liabilities*.

See Chapter 6 for Judgment Fund reconciliation process.

4. **Environmental Clean-Up Liabilities & Other Contingent Liabilities**

Statement of Federal Financial Accounting Standard #5, “*Accounting for Liabilities of the Federal Government*” requires the recognition and/or disclosure of contingent liabilities, including liabilities for environmental cleanup. Guidance for determining when an environmental liability is probable and reasonably estimable is available on the AAPC page on the FASAB website.

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.

See memorandum from the Assistant Secretary, Policy, Management and Budget requesting information on legal claims and assessments for Annual Financial Statements and also memorandum from the Director, Office of Financial Management requesting the updated list of sites with potential environmental liability. (**Appendices E and F, respectively**).



Chapter 3

Statements of Net Cost and Changes in Net Position (Flow Accounts)

A. Statement of Net Cost

The Net Cost of Operations represents the total cost incurred by the reporting entity less any exchange revenue earned from its activities. This amount represents the net cost of an entity that is funded by sources other than exchange revenues. The Statement of Changes in Net Position will report the financing sources for the net cost of operations.

According to OMB Bulletin 01-09, “*Form and Content of Agency Financial Statements*”, 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 their sub-organizations, major programs and activities.

- The supporting schedule(s) should be included in the notes to the financial statements.

The requirement to report entity and intra-governmental gross cost and earned revenues by budget functional classification is intended to support Treasury government-wide reporting and applies only at the Department level. Bureaus do not need to include these disclosures in their financial reports.

- If not presented separately on face of the statement, the costs of stewardship PP&E 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.

B. 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 new 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.

Check figures, per OMB “*Form and Content*” are presented below. There may be



exceptions to these check figures for activity not envisioned by OMB. These exceptions will be discussed by the FSGT.

- “Budgetary appropriations received” on the SCNP should tie directly to the Statement of Budgetary Resources.
- The Net Cost of Operations line ties directly to the Statement of Net Cost.
- Beginning balances shall agree with the amounts reported as net position on the prior year's balance sheet.
- Appropriations received shall agree with the amount of appropriations received as reported on the Statement of Budgetary Resources, with the exception of appropriated dedicated and earmarked receipts. Dedicated and earmarked receipts, typically in special and non-revolving trust funds, are to be accounted for as either exchange or non-exchange revenue in accordance with SFFAS No.7.
- Appropriations Used presented as a reduction of Unexpended Appropriations should equal Appropriations Used presented as a financing source increasing Cumulative Results of Operations.
- Amounts included as “Other Adjustments” (e.g. rescissions, cancellations) in the Budgetary Financing Sources section should also be included on the Statement of Budgetary Resources line 6 “Permanently not Available”
- The Other Financing Sources section of this statement will tie directly to the Statement of Financing.
- Imputed financing shall equal the amount of imputed costs included in the Statement of Net Cost of Operations. (This amount would not be separately disclosed on the SNC, but may be presented in the Notes to the Financial Statements.)
- Individual line items under the “Other Financing Sources” section should tie to the Statement of Financing:
 - a. Donations and Forfeitures of Property
 - b. Transfers-in/out w/o Reimbursement
 - c. Imputed Financing
 - d. Other Resources
- Ending balances shall agree with the amounts reported as net position on the current year's balance sheet.

**Other preparation considerations:**

The line “Other Adjustments” includes adjustments to either cumulative results of operations or unexpended appropriations. Some examples of adjustments include rescissions 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.

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. In order to avoid double counting, Appropriations Used does not include dedicated tax receipts, earmarked receipts, and donations because these financing sources are reported as either exchange or non-exchange revenue.



Chapter 4

Statements of Budgetary Resources and Financing

A. Combined Statement of Budgetary Resources

The Statement of Budgetary Resources and related disclosures provide information about how budgetary resources were made available and their status at the end of the period.

Budget execution information must be consistently reported in the following documents/reports:

- Statement of Budgetary Resources (SBR)
 - SF-133, *Report on Budget Execution and Budgetary Resources*
 - The Budget of the U.S. Government.
- Presentation of “major budget accounts” in a combining statement is required. **Subtotals will be created in Hyperion Enterprise to facilitate in the preparation of the combining SBR.**
- Any material differences between comparable information contained in these three documents/reports must be disclosed in the footnotes to this statement.
- Budget execution information for the entity’s major budget accounts will be presented as required supplementary information.

Beginning with FY2002, two additional enhancements are made to the SBR to facilitate the reconciliation of information between the SBR, SF-133 and actual information reported in the Budget of the U.S. Government.

Separate Column for Non-budgetary Credit Program Financing Accounts: This change allows for a clear distinction between budgetary and non-budgetary credit program financing account information. Non-budgetary credit financing accounts are reported separately from the budgetary totals in the Budget of the U.S. Government.

Offsetting Receipts Line: Offsetting receipts are introduced as a new line in the SBR. Offsetting receipts offset budget authority and outlays at the agency level in the Budget of the U.S. Government, but are not reflected in the SF-133. Since the SBR is an agency-wide report, offsetting receipts must be included to reconcile to information in the Budget of the U.S. Government.

- A new Memo Account 8400 has been set up in Hyperion Enterprise to facilitate reporting Offsetting Receipts data that is not obtained from the trial balance.



- A standard report has been developed in Hyperion that meets the requirements of OMB and facilitates comparison of the consolidated statement of budgetary resources to a summary of the individual bureau statements of budgetary resources.

B. Statement of Financing

The Statement of Financing (SOF) is the bridge between an entity's budgetary and proprietary accounting. It articulates the relationship between net obligations derived from an entity's budgetary accounts and net cost of operations derived from the entity's proprietary accounts by identifying and explaining key differences between the two numbers.

Not all obligations or offsetting collections may result in expenses or exchange revenue (e.g., purchase of a building is capitalized on the balance sheet in the proprietary accounts but obligated and outlayed in the budgetary accounts), thus the SOF is used to reconcile budgetary data with proprietary data.

- The budgetary information used to calculate net obligations is presented on a combined basis, while the proprietary information is consolidated. However, the SOF will be referred to as a **consolidated** statement.
- The Department will continue to use the FY 2001 SOF format. Bureaus should use the standard Hyperion Retrieve crosswalk file as the basis for preparing the SOF. All changes to this crosswalk needed to complete the SOF must be documented in order that a standard Department-wide crosswalk can be developed.
- Until a Department-wide crosswalk can be developed, each Bureau is responsible for providing a current copy of the SOF to PFM. PFM will summarize the individual bureau SOFs to develop the consolidated SOF. If changes to the Bureau SOF are necessary as a result of adjustments or audit comments, the Bureau is responsible for promptly providing an updated SOF to PFM.
- Due to the consolidation process for the SOF, it is essential that each bureau present the SOF in identical format. While the Department intends to adopt the new SOF format, if the Department determines that the crosswalk provided by Treasury is not sufficient to support the new format and if the Department cannot find alternative procedures, then the Department as a whole will need to stay with the FY 2001 format. This decision will be discussed with KPMG.**

PFM in conjunction with the FSGT are working towards a standard Statement of Financing.

Chapter 5



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 OMB Bulletin No. 01-09 “*Form and Content of Agency Financial Statements*”. **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 5 to 20 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. For example: Information that fully displays an organization's structure and operations such as supporting schedules (i.e. Net Cost by Responsibility Segment).

B. Note Disclosures

All accounting policy should be presented in Note 1: Summary of Significant Accounting Policy rather than throughout the notes. Specific note disclosures requiring special emphasis are presented below.

1. Fund Balance with Treasury

This is an asset account that reflects the available budget spending authority of federal agencies. Collections and disbursements by agencies will, correspondingly, increase or decrease the balance in the account.

Fund Balance with Treasury (FBWT): The total of all undisbursed account balances with the U.S. Treasury, as reflected in the entity's records and summarized by fund type.

Status of Fund Balance: The total of the entity's fund balance with Treasury, as reflected in the entity's general ledger and represented by unobligated (Available and Unavailable) and obligated balances, and where applicable, invested balances and balances without budgetary authority (restricted and deposit/suspense funds).

- Prepare the FBWT note utilizing the template provided.
- The sum of the FBWT note line total must equal the FBWT alphabetic subtotal in Hyperion Enterprise.
- The Total Fund Balance with Treasury must equal to the Total Status of Fund Balance.
- Disclose any other information necessary for understanding the nature of the fund balances.
- Explain any differences between Fund Balance with Treasury, as reflected in the entity's general ledger, and the balance in the Treasury accounts.
- Status of Fund Balance with Treasury for obligated and unobligated balances should be consistent with the Statement of Budgetary Resources.

2. Cash



The total of cash under the control of the reporting entity, which includes coin, paper currency, purchased foreign currency, negotiable instruments, and amounts on deposit in banks and other financial institutions. **Cash available for agency use should include petty cash, which will not be transferred to the general fund.**

- Use the Cash note in the FY2001 DOI Annual Report on Accountability as an example.

3. **Investments**

Securities are normally recognized at cost or amortized cost on the Balance Sheet. However, market value is used for balance sheet purposes 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. The federal government securities include marketable Treasury securities, non-marketable par value and non-marketable market-based.

Marketable Federal Securities: These securities can be bought and sold on the open market.

Non-marketable par value Securities: These are Treasury securities that are issued by the Bureau of Public Debt to Federal accounts and are purchased and redeemed at par exclusively through Treasury's Federal Investment Branch.

Non-marketable market-based Securities: These are Treasury securities that are 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.

- Disclose the types of investments authorized to be held by each bureau.
- Each bureau is responsible for contacting the Bureau of Public Debt for outstanding investments information to determine market value of all marketable and non-marketable market-based securities.
- Even if investment activity is immaterial to a bureau, data still needs to be collected to ensure that department-wide disclosure is complete.**

Market value is determined by multiplying the total number of



shares/par by the market price as stated on the last working day of the fiscal period.

- Each bureau should review the investment narrative in DOI Annual Report for accuracy.

4. **Accounts Receivable**

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.

- Each bureau must present the aging (**past due**) of accounts receivable.
- Write-offs must go through the allowance account and may not be posted directly to expense.

Allowance for Uncollectible Accounts (Allowances): 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 for FY 2002 year end financial statements and at least quarterly thereafter.

- Each bureau should establish a method of computing the allowance. There are myriad 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 related to receivables from other Federal agencies, an allowance may be appropriate in the case of billing disputes and similar situations.
- Disclose the method for computing allowances either in Note 1 or in the Accounts Receivable Note.
- Non-Exchange Accounts Receivable allowance is posted to Contra Revenue not Bad Debt Expense



- Authority is not needed for writing off debt to the “currently not collectible line”, but is required for “close out”.
- Data calls will include information regarding additions, deletions, and write-offs.
- PFM will provide a Hyperion Retrieve template.

5. **Direct Loans and Loan Guarantees**

- Each Bureau must present the Loans Note (Credit Reform and Non-Credit Reform) in accordance with the disclosure format in OMB Bulletin No. 01-09, *Form and Content*. (Present relevant sections only – omit sections with no data.)
- Even if loan activity is immaterial to a bureau, data still needs to be collected to ensure that department-wide disclosure is complete.

6. **Inventory and Operating Materials**

- Present schedule of inventory
- Disclosure must include the following:
 - ❖ General composition
 - ❖ Method for determining historical cost (i.e., FIFO, LIFO, weighted average, moving average, etc.)
 - ❖ Categories of inventory
 - (1) Inventory held for current sale
 - (2) Inventory held in reserve for future sale
 - (3) Excess, obsolete, stockpiled and unserviceable
 - (4) Inventory held for repair
 - ❖ Restrictions on the sale of inventory

7. **Liabilities Analysis**

The Bureau of Reclamation prepared a footnote that presented liabilities covered by budgetary resources and liabilities not covered by budgetary resources. This note also provided a breakdown between current and non-current liabilities.

- Liabilities will be disclosed using this standard format.
- PFM will provide a Hyperion Retrieve template. See the Footnote Data Collection section below.

8. **Statement of Budgetary Resources Reconciliation with the President’s Budget**



OMB Bulletin No. 01-09, *Form and Content*, requires a note disclosure of the differences between the President's budget and the Statement of Budgetary Resources. This disclosure would report major differences in the "Prior Year" information presented in the President's Budget as it relates to Budgetary Authority, Receipts and Outlays with similar information presented in the Statement of Budgetary Resources. This reconciliation will be performed on a Departmental basis in coordination with Bureaus, the Department's Office of Budget and Office of Financial Management. The Bureau financial statements will disclose this information and the Department will present similar information for the consolidated financial statements.

- Disclose the amount of direct and reimbursable obligations incurred against amounts apportioned and exempt from apportionment.
- Disclose the amount of available borrowing and contract authority at the end of the period.
- Disclose the repayment requirements, financing sources for repayment, and other terms of borrowing authority used.
- Disclose amounts adjusted, during the reporting period, of budgetary resources available at the beginning of the year.
- Disclose the existence, purpose and availability of permanent indefinite appropriation.
- Disclose the information about legal arrangements affecting the use of unobligated balances of budget authority, such as time limits, purpose, and obligation limits.

9. **Required Footnote Disclosure (Department Level Only)**

Certain disclosures prescribed by OMB Form and Content and described below are relevant only at the Department reporting level. These disclosures may be omitted from bureau-level financial reports.

- For FY 1999 and beyond, intra-governmental gross cost and earned revenue shall be disclosed in the notes by budget sub-function (BSF) formerly called budget functional classification (BFC) for the reporting entity and transactions with intra-governmental entities.
- Gross cost and earned revenue should be net of intra-entity transactions (consolidated). Disclosure of gross cost and earned revenue by BSF may be limited to the consolidated agency-wide financial statements.



The BSFs currently used by the Department are:

- Natural Resources (300 Series): Developing, managing, and maintaining the nation's natural resources and environment.
 - (1) Water Resources (301)
 - (2) Conservation and Land Management (302)
 - (3) Recreational Resources (303)
 - (4) Pollution Control and Abatement (304)
 - (5) Other Natural Resources (305)

- Transportation (400 Series): Providing for the transaction of the general public and/or its property, regardless of whether local or national and regardless of the particular mode of transportation.
 - (1) Ground Transportation (401)
 - (2) Water Transportation (403)

- Community and Regional Development (450 Series): Development of physical facilities or financial infrastructures designed to promote viable community economies.
 - (1) Community Development (451)
 - (2) Area and Regional Development (452)

- Education and Training (500 Series): Promoting the extension of knowledge and skills, enhancing employment and employment opportunities, protecting workplace standards, and providing services to the needy.
 - (1) Elementary, Secondary and Vocational Education (501)
 - (2) Training and Employment (504)

- General Government (800 Series): General overhead cost of the federal government, including legislative and executive activities; provision of central fiscal, personnel, and property activities; provision of services that cannot reasonably be classified in any other major function.
 - (1) Central Fiscal Operations (803)
 - (2) General Property and Records Management (804)
 - (3) General Purpose Fiscal Assistance (806)
 - (4) Other General Government (808)

- Net Interest (900 Series): Transactions which directly give rise to interest payments or income (lending) and the general short fall of excess of outgo over income arising out of fiscal, monetary, and other policy considerations and leading to the creation of interest-bearing debt instruments (normally the public debt).



(1) Other Interest (908)

- Other – Undistributed Offsetting Receipts (950 Series): Most offsetting receipts are included as deductions from outlays in the applicable functions and subfunctions.
 - (1) Rents and Royalties on the Outer Continental Shelf (953)
 - (2) Other Undistributed Offsetting Receipts (959)
 - (3) Other (999)

A BSF organization structure has been developed in Hyperion Enterprise to simplify the process of data collection and reporting. This organization will also ensure the balances disclosed in the footnote disclosure agrees with the balances reported on the face of the Statement of Net Cost.

10. Footnote vs. Required Supplemental Information

- The **consolidating** Statement of Net Cost should be presented in the Notes.
- The combining Statement of Budgetary Resources should be presented as Required Supplemental Information.
- The **consolidating** Balance Sheet and Statement of Changes in Net Position are optional. However, if Bureaus choose to prepare a **consolidating** Balance Sheet and Statement of Changes in Net Position, they must be presented as supplemental information.

C. Footnote Data Collection

Several notes require additional information that is not available in Hyperion Enterprise. In order to obtain this information, Hyperion Retrieve templates will be used to collect data for the following Notes:

- (1) Fund Balance with Treasury
- (2) Accounts Receivable
- (3) Allowance for Doubtful Accounts
- (4) Property, Plant & Equipment
- (5) Liabilities Analysis
- (6) Operating Expenses by Budget Object Class
- (7) Capitalized Federal Purchases

- Bureaus should consider using the established templates as a basis for preparing the footnotes for bureau reports. The templates are located on: XA:\2002 Financial Statement\Standard Statements and Footnotes. Bureaus should open the file and save as BUR_Footnotes, (e.g. BOR_Footnotes) and place the file in the Data Calls folder when completed.



- Each bureau will be responsible for completing the “Bureau Input” (green) sections for each specified footnote. **Samples of the footnote requiring “Bureau Input” are shown below.**
- PFM will retrieve the information for the consolidated footnotes from the Data Calls folder located: XA:\2002 Financial Statements\Data Calls.

1. Fund Balance with Treasury

- There is no one crosswalk that works for all bureaus. However, BOR has developed a crosswalk that does work for some bureaus. This crosswalk can be used as a starting point and modified for use by other bureaus.
- Ensure Total Fund Balance with Treasury equals Total Status of Fund Balance.

Fund Balance with Treasury by Fund Type

| | | <u>Current Reporting Year</u> | <u>Prior Reporting Year</u> |
|---|----------|---|---|
| General | | | |
| Appropriated | | Bureau Input | Bureau Input |
| Revolving | | Bureau Input | Bureau Input |
| Trust | | Bureau Input | Bureau Input |
| Fund Balance Held on Behalf of Others | | Bureau Input | Bureau Input |
| Total General | | Calculated Total | Calculated Total |
| Restricted | | | |
| Land and Water Conservation | | Bureau Input | Bureau Input |
| Reclamation Fund | | Bureau Input | Bureau Input |
| Historic Preservation Fund | | Bureau Input | Bureau Input |
| Aquatic Resources Trust Fund | | Bureau Input | Bureau Input |
| Total Restricted | | Calculated Total | Calculated Total |
| Total Fund Balance with Treasury | FUND_BAL | Hyperion Check Total = Total General + Total Restricted | Hyperion Check Total = Total General + Total Restricted |

Status of Fund Balance by Fund Type

| | | | |
|-------------------------------------|--|------------------|------------------|
| Unobligated Balance | | | |
| Available – Budget Authority | | Bureau Input | Bureau Input |
| Available – Invested | | Bureau Input | Bureau Input |
| Unavailable | | Bureau Input | Bureau Input |
| Obligated Balance not yet Disbursed | | Bureau Input | Bureau Input |
| Total Status of Fund Balance | | Calculated Total | Calculated Total |



2. **Accounts Receivable**

- Disclose Accounts Receivable for both Intergovernmental and Public.
- Ensure Calculated Total Accounts Receivables equals Hyperion Check Totals.

| | | <u>Current Reporting Year</u> | <u>Prior Reporting Year</u> |
|--|---------------------------|---|---|
| ACCT_REC_UNB | Accts Receivable Unbilled | HPVAL Formula | HPVAL Formula |
| AGING_CURRENT | | Bureau Input | Bureau Input |
| AGING_1TO180 | | Bureau Input | Bureau Input |
| AGING_181TO365 | | Bureau Input | Bureau Input |
| AGING_OVER 1YR | | Bureau Input | Bureau Input |
| Total Aging | | Calculated Total Aging = Accounts Receivable + Interest + Long Term Receivables | Calculated Total Aging = Accounts Receivable + Interest + Long Term Receivables |
| Total Allowances | | Total Allowances from Allowance Note | Total Allowances from Allowance Note |
| Accounts Receivable, Net of Allowances | | Calculated Accounts Receivable = Unbilled Accounts Receivable + Total Aging + (Allowances) | Calculated Accounts Receivable = Unbilled Accounts Receivable + Total Aging + (Allowances) |
| TOT_AR_INT | | Hyperion Check Total | Hyperion Check Total |

3. **Allowances for Doubtful Accounts**

- Disclose Allowances for both Intergovernmental and Public.
- Allowance for Doubtful Accounts is the sum of SGL accounts 1319, 1329, 1349, and 1369.

| * | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> <u>/Collections</u> | <u>Ending Balance</u> |
|--|--------------------------|-------------------------------|--|-----------------------|
| Intra-governmental | HPVAL Formula | Bureau Input | Bureau Input | HPVAL Formula |
| Public | HPVAL Formula | Bureau Input | Bureau Input | HPVAL Formula |
| Total Allowance for Doubtful Accounts | Hyperion Check Total | Calculated Total Additions | Calculated Total Reductions | Hyperion Check Total |

* Bureaus may choose to present more detail (i.e. Entity, Non-Entity).

4. **Property, Plant and Equipment**



- The Property, Plant and Equipment (PP&E) Note in the format shown below is a FACTS I reporting requirement.
- A template for preparing this note is in the Bureau folders located on: **XA:\2002 Financial Statement\Data Calls\Bur\FACTS I PP&E.**
- PP&E is the sum of SGL accounts 1711, 1712, 1720, 1730, 1740, 1750, 1810, 1820, 1830, 1832, 1840, and 1890. Accumulated depreciation, amortization and depletion reflect the sum of SGL accounts 1719, 1739, 1749, 1759, 1819, 1829, 1839, 1849.

| (1) | PP&E (2) | Accumulated Depreciation (3) | Net PP&E (4) Formula |
|--|--|---|----------------------------|
| 1. Prior Years' Ending Balance * | PFM Input | PFM Input | _____ |
| 2. Prior Period Adjustments to PP&E – Correction of Errors | +/- Bureau Input | +/- Bureau Input | +/- _____ |
| 3. Prior Period Adjustments to PP&E – Change in Accounting Principles | +/- Bureau Input | +/- Bureau Input | +/- _____ |
| 4. Corrected Beginning Balance | Calculated Total | Calculated Total | _____ |
| 5. Capitalized Acquisitions from the Public | Bureau Input | No Input | _____ |
| 6. Capitalized Acquisitions from Government Agencies | Bureau Input | No Input | _____ |
| 7. Deletions from Balance Sheet | Bureau Input | Bureau Input | _____ |
| 8. Revaluations | +/- Bureau Input | No Input | +/- _____ |
| 9. Stewardship Reclassifications | +/- Bureau Input | +/- Bureau Input | +/- _____ |
| 10. Current Year Depreciation Expense | No Input | HPVAL | _____ |
| 11. Ending Balance | Calculated Total | Calculated Total | _____ |
| 12. Hyperion Check Total | Sum of PP&E SGL Accounts (HPVAL Formula) | Sum of Accum Deprec, Amort and Depletion SGL Accounts (HPVAL Formula) | HPVAL Formula |

* Amount provided by PFM.

- Instructions for completion of PP&E Note:



- A. Line 1: **Column 2** - Report the amount for Prior Year's ending balance. Add any adjustments affecting last years' balance. **Column 3** – Report the amount for Prior Year's ending balance, plus any adjustments affecting last years' balance for accumulated depreciation, amortization and depletion. **These amounts will be provided by PFM.**
- B. Line 2: **Column 2** - Enter the increase or decrease to PP&E due to prior period adjustments classified as correction of errors. **Column 3** – Enter the increase or decrease to accumulated depreciation, amortization and depletion related to Column 2.
- C. Line 3: **Column 2** – Enter the increase or decrease to PP&E due to prior period adjustments classified as changes in accounting principles. **Column 3** – Enter the accumulated depreciation, amortization and depletion related to Column 2.
- D. Line 4: Automatically calculated based on information in columns (2-4) and lines (1-3).
- E. Line 5: **Column 2** – Enter purchases and other additions from the public during the fiscal year.
- F. Line 6: **Column 2** – Enter purchases and other additions from other Government agencies during the fiscal year.
- G. Line 7: **Column 2** – Enter the amount of all items removed from PP&E during the fiscal year. **Column 3** – Enter the amount of accumulated depreciation, amortization and depletion related to the amounts in Column 2 (line 7).
- H. Line 8: **Column 2** – Enter the amount of revaluations (not included in lines 2, 3, 7, 9) purchases and other additions from other Government agencies during the fiscal year.
- I. Line 9: **Column 2** – Enter the PP&E that has been removed from the balance sheet and reclassified as Heritage Assets, Federal Mission Assets or Stewardship Land. **Column 3** – Enter the accumulated depreciation, amortization and depletion that relate to Column 2 (line 9).
- J. Line 10: **Column 3** – Enter the increase posted to accumulated depreciation, amortization and depletion for current year expenses.
- K. Line 11: Automatically calculated based on information provided in Columns (2-4) and lines (4-10).
- L. Line 12: Hyperion Check Total

5. *Liabilities Analysis*



Disclosure for Current and Prior Reporting Years is required.

| Liabilities Covered by Budgetary Resources | | | | |
|---|----------------------------|---|---|-----------------------------|
| <u>Line Item</u> | <u>Hyperion Sub-Totals</u> | <u>Current Liabilities</u> | <u>Non-Current Liabilities</u> | <u>Hyperion Check Total</u> |
| Intragovernmental | | | | |
| Accounts Payable | TOT_AP.G | Bureau Input | Bureau Input | |
| Accrued Payroll Benefits | ACCR_PAYR_BEN.G | Bureau Input | Bureau Input | |
| Debt | OTH_DEBT_FND.G | Bureau Input | Bureau Input | |
| Other Liabilities | OTH_LIAB_FND.G | Bureau Input | Bureau Input | |
| | DEF_REV_ADV.G | Bureau Input | Bureau Input | |
| | DEF_REV_LT.G | Bureau Input | Bureau Input | |
| Total Intragovernmental | | Calculated Total | Calculated Total | |
| Public | | | | |
| Accounts Payable | TOT_AP.N | Bureau Input | Bureau Input | |
| Accrued Salaries and Wages | ACCR_PAYR_BEN.N | Bureau Input | Bureau Input | |
| Loan Guarantee Liability | LOAN_GUAR | Bureau Input | Bureau Input | |
| Debt | OTH_DEBT_FND.N | Bureau Input | Bureau Input | |
| Other Liabilities | OTH_LIAB_FND.N | Bureau Input | Bureau Input | |
| | DEF_REV_ADV.N | Bureau Input | Bureau Input | |
| | DEF_REV_LT.N | Bureau Input | Bureau Input | |
| Total Public | | Calculated Total | Calculated Total | |
| Total Liabilities Covered by Budgetary Resources | | Calculated Total = Total Intragovernmental + Total Public | Calculated Total = Total Intragovernmental + Total Public | |

| Liabilities Not Covered by Budgetary Resources | | | | |
|---|----------------------------|---|---|-----------------------------|
| <u>Line Item</u> | <u>Hyperion Sub-Totals</u> | <u>Current Liabilities</u> | <u>Non-Current Liabilities</u> | <u>Hyperion Check Total</u> |
| Intragovernmental | | | | |
| Debt | OTH_DEBT_UNF.G | Bureau Input | Bureau Input | |
| Custodial Liability | CUST_PAY.G | Bureau Input | Bureau Input | |
| Unfunded Payroll Costs | ACCR_PAYR_LIAB_UNF.G | Bureau Input | Bureau Input | |
| Treasury Judgment Fund Liability | JUDG_FUND | Bureau Input | Bureau Input | |
| Deferred Credits | DEF_CREDITS.G | Bureau Input | Bureau Input | |
| Other Liabilities | REC_TRANS_TRSY.G | Bureau Input | Bureau Input | |
| | ARTF_PAY.G | Bureau Input | Bureau Input | |
| Total Intragovernmental | | Calculated Total | Calculated Total | |
| Public | | | | |
| Debt | OTH_DEBT_UNF.N | Bureau Input | Bureau Input | |
| Custodial Liability | CUST_PAY.N | Bureau Input | Bureau Input | |
| Environmental Cleanup Costs | ENV_LIAB | Bureau Input | Bureau Input | |
| Contingent Liabilities | CONTINGENT_LIAB | Bureau Input | Bureau Input | |
| Actuarial Liabilities | ACTU_LIAB_UNF | Bureau Input | Bureau Input | |
| Unfunded Payroll Costs | ACCR_PAYR_LIAB_UNF.N | Bureau Input | Bureau Input | |
| Deferred Credits | DEF_CREDITS.N | Bureau Input | Bureau Input | |
| Other Liabilities | OTH_LIAB_UNF.N | Bureau Input | Bureau Input | |
| | REC_TRANS_TRSY.N | Bureau Input | Bureau Input | |
| | ARTF_PAY.N | Bureau Input | Bureau Input | |
| | ENT_PAY | Bureau Input | Bureau Input | |
| Total Public | | Calculated Total | Calculated Total | |
| Total Liabilities Not Covered by Budgetary Resources | | Calculated Total = Total Intragovernmental + Total Public | Calculated Total = Total Intragovernmental + Total Public | |
| Total Liabilities | TOT_LIAB | Calculated Total | Calculated Total | |

6. Operating Expenses by Budget Object Class (BOC)



| <u>Operating Expense</u> | | <u>SGL</u> | <u>Bureau Input</u> | <u>Current Reporting Year</u> | <u>Prior Reporting Year</u> |
|---|---|------------|---------------------|-------------------------------|-----------------------------|
| Salaries & Benefits | BOC_SAL_BEN | | Bureau Input | | |
| Travel & Transportation | BOC_TRAV | | Bureau Input | | |
| Rent, Communication and Utilities | BOC_RENT | | Bureau Input | | |
| Printing & Reproduction | BOC_PRINT | | Bureau Input | | |
| Contractual Services | BOC_CONTR | | Bureau Input | | |
| Supplies & Materials | BOC_SUPP | | Bureau Input | | |
| Acquisition of Non-Capitalized Property | BOC_ACQ_PPE | | Bureau Input | | |
| Acquisition of Stewardship Property | BOC_ACQ_STEWLAND | | Bureau Input | | |
| Acquisition of Heritage Assets | BOC_ACQ_HERITAGE | | Bureau Input | | |
| Grant, Subsidies and Contributions | BOC_GRANTS | | Bureau Input | | |
| Other Expenses | BOC_OTH | | Bureau Input | | |
| TOTAL BOC EXP | | 6100 | Calculated Total | Hyperion Check Total | Hyperion Check Total |
| OPM/BEN COSTS | | | Bureau Input | | |
| JUDGMENT FUND | | | Bureau Input | | |
| OTHER COSTS | | | Bureau Input | | |
| TOTAL IMPUTED COSTS | | 6730 | Calculated Total | Hyperion Check Total | Hyperion Check Total |
| BENEFIT EXPENSE | | 6400 | | HPVAL Formula | HPVAL Formula |
| COST_GOODS_SOLD | | 6500 | | HPVAL Formula | HPVAL Formula |
| CAPITALIZED_OFFSET | | 6610 | | HPVAL Formula | HPVAL Formula |
| OTHER: NON-PRODUCTION COSTS (NPC) | | 690A | | HPVAL Formula | HPVAL Formula |
| OTHER: NPC – PENDING DISTRIBUTION | | 690B | | HPVAL Formula | HPVAL Formula |
| OTHER: NPC – DISCOUNTS LOST | | 690C | | HPVAL Formula | HPVAL Formula |
| TOT_OPEXP_CGS | Calculated Total Operating Expense COGS = TOT BOC EXP + TOT IMPUTED COSTS + SGLs 6400+6500+6610+690A+690B+690C | | | Hyperion Check Total | Hyperion Check Total |
| Interest Expense | INT_EXP | | | HPVAL Formula | HPVAL Formula |
| Depreciation Expense | DEPR_EXP | | | HPVAL Formula | HPVAL Formula |
| Bad Debt Expense | BAD_DEBT_EXP | | | HPVAL Formula | HPVAL Formula |
| Adjustment to Subsidy Expense | SUBS_EXP | | | HPVAL Formula | HPVAL Formula |
| Other Unfunded Expenses | UNFUND_EXP | | | HPVAL Formula | HPVAL Formula |
| NPC – Acquisition of Stewardship Property | STEW_ACQ | | | HPVAL Formula | HPVAL Formula |
| Contingent Expense | CONT_EXP | | | HPVAL Formula | HPVAL Formula |
| Other Gains & Losses | OTH_GAIN_LOSS | | | HPVAL Formula | HPVAL Formula |
| Total Other Expenses | TOT_OTH_EXP | | | Hyperion Check Total | Hyperion Check Total |
| Total Expenses | TOT_EXP = TOT_OPEXP_CGS + TOT_OTH_EXP | | | Hyperion Check Total | Hyperion Check Total |



7. *Capitalized Federal Purchases*

- The amount of capitalized Federal purchases is a new FACTS I reporting requirement beginning in FY 2002. This information is needed to reconcile government-wide elimination data.
- Report the amount of **current year** capitalized purchases from other Federal entities.
- A report was created to assist each Bureau with providing capitalized Federal purchases information. This report is located in the Bureau folders located on: XA:\2002 Financial Statement\Data Calls\Bur\FACTS I Cap Fed Purchases.xls. This report will be helpful if the Bureau used any trading partners when recording property purchases. If the Hyperion data in the property accounts is accurate and contains current year only, the trading partner data can be used. If the data is accurate and cumulative, then calculate the change between FY2002 and FY2001 data.

If the Bureau did not accumulate federal property purchases in the property accounts, then the Bureau is responsible for determining an alternate method for accumulating the data.



Chapter 6

Eliminations, Reconciliations & Confirmations

A. 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, intra-departmental, and intra-bureau activity and resulting account balances.

The Department and Bureaus are required to comply with OMB Bulletin 01-09, "*Form and Content of Agency Financial Statements*", and Treasury's Federal Intra-governmental Transactions Accounting Policies Guide for reconciliation and elimination of intra-governmental, intra-departmental, and intra-bureau transactions.

- The Department shall reconcile intra-governmental asset, liability, revenue and expense amounts with our trading partners semi-annually, beginning with the six-month period ending March 31, 2002, and quarterly, beginning with the three-month period ending December 31, 2002.
- The Bureaus shall reconcile intra-departmental and intra-bureau asset, liability, revenue and expense amounts with their trading partners semi-annually, beginning with the six-month period ending March 31, 2002, and quarterly, beginning with the three-month period ending June 30, 2002.

Each bureau is responsible for:

- Establishing and maintaining an internal control structure for its intra-governmental, intra-departmental, and intra-bureau transactions.
- Documenting and supporting the information recorded in its accounting records related to intra-governmental, intra-departmental, and intra-bureau transactions.
- Reconciling the intra-governmental fiduciary, intra-departmental, and intra-bureau data in its accounting records to the supporting documentation and corresponding records in their trading partners' accounts.
- Ensuring that the reconciliation and confirmed balances for intra-governmental fiduciary, intra-departmental, and intra-bureau transactions agree to the Department's audited financial statements and FACTS I reporting.
- When presenting current and non-current liabilities in the footnotes, ensure**



the elimination process does not cause negative balances in these accounts.

1. *Trading Partner Codes*

The Bureaus shall use the two digit department code of the trading partner when reporting USSGL account balances that relate to activity with another federal agency and the two digit bureau partner code for transactions with another Interior bureau. For purposes of this guidance, the “F” and “G” designation are interchangeable and both the “F” and the “G” refer to a Federal Government trading partner. A non-Federal Government trading partner is an “N”. **The Federal trading partner codes can be found in Appendix B of the Federal Intragovernmental Transactions Accounting Policies Guide.**

- Trading partner code “F.20” should be used for transactions with the administrative Treasury entity for activities like reimbursable services, and for fiduciary transactions with the Bureau of Public Debt and the Federal Financing Bank.
- Trading partner code “F.99” is for recording transactions with the Treasury General Fund, rather than the Treasury administrative entity, such as:
 - Custodial activity, such as tax revenue and miscellaneous revenue that is collected or accrued on behalf of the Treasury General Fund. USSGL accounts applicable to this activity include USSGL Account 2980.F *Custodial Liability*, 5801.F *Tax Revenue Accrual Adjustment*, USSGL Account 5990.F *Collections for Others*, and USSGL Account 5991.F *Accrued Collections for Others*.
 - Employer FICA contributions that are collected by the Internal Revenue Service.
 - Transfers out and distributions of income (e.g., USSGL Account 7500.F *Distribution of Income - Dividend*).
 - Treasury-managed trust funds.
 - Liquidating fund assets in excess of liabilities.
 - Unrequisitioned authorized and receivable appropriations (USSGL Account 1920.F *Unrequisitioned Authorized Appropriations* and USSGL Account 1921.F *Receivable from Appropriations*).
 - Other asset and liability activities associated with the Treasury General Fund.

2. *Vendor Tables*

Incorrect data entry to the vendor table in the accounting system is a major cause of eliminations reconciliations problems and research.

- Vendor tables need to be reviewed and modified monthly by properly



trained bureau personnel in order to maintain accurate trading partners, attributes, and balances.

- Review the process and postings of Bank of America card transactions to determine if the data is accurate regarding the MCC9399 code for Government transactions.
- Determine actions to be taken to ensure that the data on the interface is correct and that the vendor tables are setup adequately for the NBC bankcard interface to work for Government transactions in the Federal Financial System (FFS).

3. ***Reimbursable Agreements***

Intra-governmental Payment And Collection System (IPAC) is the preferred method of payment. The IPAC should include the obligating document number of the customer bureau and the agency location code. The IPAC should also state the billing period that it covers and if it is an advance billing or a billing for a prior fiscal year.

- The bureau providing the goods or service is responsible for including the obligating document number of the customer bureau on the IPAC.
- A web-based Department-wide database of master agreement numbers will be established and those agreement numbers will become the customer bureau's obligation numbers in the future.
- Currently, an Excel file is being created on the "XA" server for the Bureaus to load the corresponding agreements and ordering office obligation numbers.
- All reimbursable agreements must be signed by an individual who has been delegated the authority to sign reimbursable agreements in accordance with DOI and bureau delegations of authority.

The source of money dictates availability. Annual year funds need to be refunded when identified to be in excess as soon as possible.

4. ***Flow Through Activity Between Agencies***

Several Bureaus receive monies described as a flow through activity that are forwarded to another Federal agency per public law. The Bureaus involved are to identify flow through activity. In addition to the above flow through activity, disbursements (such as cash awards and travel) are being paid by other Federal agencies on a one-time basis without establishing reimbursable agreements. These



transactions should be processed as agreed upon by both Bureaus as either refunds and/or non-government transactions until further policies are developed.

- Flow through collections and disbursements should be posted under the vendor code/type of the originating source.

5. ***Expenditure and Non-expenditure Transfers***

Bureaus should clarify who processes and inputs budget transfer documents and ensure that proper checks, balances and controls are in place.

6. ***Advances***

IPAC is the preferred method of payment. Advances may be used on an exception basis, or as specified by bureau written policies/requirements and/or regulatory guidelines.

7. ***Assets/Liabilities***

Beginning balances in bureau accounting systems must reconcile with Hyperion Enterprise beginning balances by trading partners and to the “XA” server transaction files for year end. The beginning balances must be rolled forward in Hyperion Enterprise by December 31 to meet first quarter deadlines for FACTS II.

- Reconciliations must be completed by January 15.
- Bureaus must list unbilled receivables and advances on the “XA” server by the 19th of the subsequent month following the end of the quarter.
- Bureaus should close out all advances over five years old. All new advances must normally not exceed one year.
- Bureaus should close out all suspense accounts at year end.**

8. ***Timing Differences***

Timing is an issue at year end because of recognition by one party before close and another after close (new FY).

- Bureaus must post all accruals by the 19th of the subsequent month following the end of the quarter. All accrual balances must be supported by the agreement number (ordering office’s obligation number).
- No collections **or disbursements** should remain in a clearing account over



thirty days.

- Refunds of over-collections should be processed within thirty days of the end of a project.
- All IPACs should include the ordering office's obligations number and servicing period. IPAC transactions lacking these details should be charged back to the originator. IPAC transactions exceeding the obligation amount should also be charged back.
- Advances should be analyzed quarterly. Monthly cost reports should be generated for advances so that the advances can be drawn down.
- Statement of Differences must not exceed Treasury guidelines. Prior period adjustments must not exceed \$100,000 and three months. All adjusting entries must have supporting documentation.

9. *Impasses*

Occasionally, Bureaus are unable to agree on amounts that must be accrued or eliminated due to timing differences or lack of supporting documentation. Improved communication is needed both within Bureaus and between Bureaus.

- Bureaus must be more responsive to other Bureaus' requests for information and documentation.

Sufficient documentation must be provided to the customer bureau by the bureau providing the goods and/or services when the providing bureau records the transaction. If the customer bureau does not agree with the supporting documentation from the providing bureau after substantive discussions, then PFM should be contacted to help resolve the impasse.

10. *Automation*

The current elimination reconciliation process is entirely manual and time intensive. Different accounting posting models and unresolved issues have compounded the timeliness and accuracy of the elimination process. The Department plans to automate the intra-departmental and intra-governmental elimination process. Specific guidance will follow after implementation.

B. **Reconciliations and Confirmations**

1. *Judgment Fund*



Bureaus are required to reimburse Treasury's Judgment Fund for payments made under the Contracts Dispute Act from Treasury fund symbol 20x1743. When Treasury pays a Contract Disputes Act claim from this fund on behalf of a bureau, Treasury records a receivable. At the same time, the bureau should record a payable to the Judgment Fund in USSGL Account **299J.F.20**.

- Bureaus shall reconcile Judgment Fund transactions with Treasury each quarter. Bureaus can find Judgment Fund transactions at:
<http://www.fms.treas.gov/judgefund/payments.html>

2. ***Intra-governmental Fiduciary Transactions Reconciliation***

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

- ❖ Investments in Treasury Securities issued by the Bureau of Public Debt (BPD)
 - ❖ Borrowings from the Bureau of Public Debt and Federal Financing Bank (FFB)
 - ❖ Federal Employees' Compensation Act transactions with the Department of Labor (DOL)
 - ❖ Employee benefit transactions with the Office of Personnel Management (OPM)
- The Department shall reconcile with its trading partners each quarter the four fiduciary transactions identified in Treasury's Federal Intra-governmental Fiduciary Transactions Accounting Policies Guide.

3. ***Intra-governmental Fiduciary Confirmation System (IFCS)***

The IFCS is an Internet-based system for reconciling fiduciary transactions. It is the official confirmation system for Federal departments that engage in fiduciary intra-governmental transactions with BPD, FFB, OPM and DOL.

- Bureaus must confirm and reconcile investments and borrowings on a quarterly basis with their 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.
- Departments must ensure that amounts entered into the IFCS agree with (1) amounts reported to FMS in their FACTS I year-end reporting, and (2) reported in their audited financial statements. Departments will have an opportunity to revise their confirmations and adjust their FACTS I



reporting for reporting differences.

The Internet address for user access to the IFCS changes quarterly based on the current quarter that needs to be confirmed and reconciled. The current quarter is a part of the web address. For instance, the fourth quarter FY 2002 data can be found at:

<http://159.142.162.119/2002-4th/main.cfm>.

Questions about the IFCS should be addressed to Phil Daniels, the Department's contact administrator, at (202) 208-5225 or Philip.Daniels@ios.doi.gov or Ella Hughes-Bailey, FMS, at (202) 874- 6389 or ella.hughes-bailey@fms.treas.gov.

4. *Intra-governmental Expenses*

There are three types of 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 and are listed below.

a. Employee Pension and Retirement Benefit Expenses

This expense is an "imputed cost" for retirement costs paid by the Office of Personnel Management (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.

- The Department will present these costs as part of operating expenses on the face of the financial statement (and is identified as employee benefit expense in the operating expense footnote).
- The Bureaus shall also include this expense on their financial statements, however, may elect to present them on a separate line as long as they remain 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 for future use when annual rates are provided by OPM:

Journal Entry:

| <u>Account</u> | <u>Description</u> | <u>DR</u> | <u>CR</u> |
|----------------|--------------------|-----------|-----------|
| 6730.F.24 | Imputed Costs | xxx | |



578A.F.24 Imputed Financing Sources xxx

b. *Department of Labor (DOL) Actuarials and Accrued Liabilities*

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

The journal entries (proprietary) are provided below for each type of liability.

(1) ***FECA Accrued Liability***

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. 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 in unfunded FECA liability.

| <u>USSGL Account</u> | <u>Description</u> | <u>DR</u> | <u>CR</u> |
|----------------------|---|-----------|-----------|
| 6850.F.16 | Employer Contributions to Employee Benefit Programs Not Requiring Current-Year Budget Authority | | xxx |
| 2225.F.16 | Unfunded FECA Liabilities | | xxx |

(2) ***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. OPM costs would be quarterly but the DOL FECA actuarial liability will remain unchanged until year end.



Chapter 7 Other Accounting Issues

Other accounting issues include but are not limited to the following:

- Accounting for Revenue and Other Financing Sources (SFFAS #7)
- Equity Account Transactions
- Undelivered Orders
- Prior Period Adjustments
- Posting of Post Close Adjustments to Core Financial Systems

A. 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.

Exchange Revenue: Revenues 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.)

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 government-wide SGL commingles miscellaneous exchange and non-exchange 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.

If assistance is needed splitting data between exchange and non-exchange, contact Deb Carey.

B. Equity Account Transactions



In essence, the only equity accounts are Unexpended Appropriations and Cumulative Results of Operations. Under normal circumstances, the only entries that are posted to equity are:

1. Entries to establish and use Unexpended Appropriations (3100 series accounts).
2. Entries to close USSGL flow accounts (5000 Revenue, 6000 Expenses and 7000 Gains/Losses & Miscellaneous accounts) to Cumulative Results at the end of the year.
3. Entries to post “contributed capital” at the start up of a working capital type fund. This is a rare entry.
4. Entries posted to aircraft reserve accounts by the Office of Aircraft Services.

Due to changes to the U.S. Standard General Ledger, the use of USSGL 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, therefore existing data in USSGL Account 3100 *Unexpended Appropriations* was reclassified during fiscal year 2000 from this account to USSGL Account 3310 *Cumulative Results of Operations*.

- 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.
- Contact PFM if you have any other entries you believe should be posted to equity.

C. **Undelivered Orders**

Bureaus should establish procedures, consistent with Department policy, to ensure 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.

D. **Prior Period Adjustments (SGL Account 7400)**

Prior Period Adjustments are used to correct errors in prior year published financial statements. In addition, prior period adjustments are used to reflect the impact of newly adopted accounting standards when the implementing guidance for those standards indicates that the standard should be adopted retroactively. Prior period adjustments are rare.

Several types of events are specifically **excluded** from being reported as prior period adjustments, including:

1. Normal, recurring corrections & adjustments
2. Changes in useful lives of PP&E
3. Adjustments related to realizability of inventories
4. Settlement of litigation
5. Matters not in error at the prior year end

In general, if information was estimated or accrued during the previous financial period, based on the best information available at that time, the revision of that estimate is treated prospectively and is not a prior period adjustment. This includes explicit or implied accruals of receivables, payables, revenues and expenses; valuation of assets; and percentage of completion of construction in progress.

However, items that definitely will be prior period adjustments or that may potentially be prior period adjustments can be posted to USSGL Account 7400 *Prior Period Adjustments* only if they accumulate to a large enough number or deemed to be material by year end. If at yearend, the amounts are immaterial, then the items will be removed from USSGL Account 7400 *Prior Period Adjustments*.

By recognizing a prior period adjustment (other than those related to the adoption of new accounting standards), the bureau and the Department assert that the prior year financial statements are materially misstated. This is a serious issue. In the event situations arise that may result in the recognition of a prior period adjustment, the issue should be written up in the form of an issue paper and forwarded to PFM for discussion and approval. PFM will be involved with all discussions with the auditors. This discussion can take place via email.

E. **Posting of Post Close Adjustments to Core Financial Systems**

Upon completion of the financial statement audits, adjustments made in the Hyperion Enterprise applications that were 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 Appendix G for a description of this process.**



Chapter 8 Analytics and Review Procedures

It is recommended that Bureaus perform the following analysis on beginning balances and quarterly balances starting with the 2nd quarter of FY 2002:

- 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 using the file located on xa:\2002 Financial Statements\Analysis\02 FS line var analysis.xls and include:

- (1) Current quarter to prior year end
- (2) Current quarter to like quarter of prior year

In addition, analysis may be performed at the standard general ledger account level and Budget Object Class to Budget Object Class

- 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 Reporting file titled “Master-SOF TB”. SACAT will develop a complete list of absolute relationships that may be considered.

See Appendix H for CFO Financial Statement Analytic Relationships.

- 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:

- (1) Year-end Property Plant and Equipment to Depreciation Expense
- (2) Year-end Property Plant and Equipment to the “Capitalized Equipment Expensed” Budget Object Class
- (3) Accounts Receivable, Unbilled Accounts Receivable, Allowance for Bad Debts and Bad Debt Expense
- (4) Budget accounts and rate of outlays as compared to time of year.

See Appendix H for CFO Financial Statement Analytic Relationships.

- Hyperion Enterprise Database Integrity:** Hyperion Enterprise Database Integrity reports check to ensure that the Hyperion Enterprise organization structures are in-sync and data loads reconcile to FFS and ABICUS.

In general, integrity reports are generated after quarterly data loads, and periodically as the data base 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 would normally be performed monthly or quarterly. The subsidiary ledgers that should be developed and reconciled would normally include, for example:
 - (1) Undelivered Orders detail and aging
 - (2) Accounts receivable detail and aging
 - (3) Unbilled accounts receivable detail and aging
 - (4) Accounts payable detail and aging
 - (5) Property, Plant and Equipment

- Subsidiary Reconciliation to External Sources** should include investments, Statement of Differences with Treasury (monthly), intra-department eliminations and Fund Balance with Treasury (monthly), and Debt with Treasury.

- FFS/ABICUS 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 ABICUS) 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\FY2002.

A written compliance verification will be sent to the Director, Office of Financial Management by July 31st of each fiscal year as part of the year end closing process and 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 9

Hyperion Enterprise Processes & Responsibilities

A. System Configuration and Administration

1. *System Configuration*

The departmental system for preparing financial statements is the Consolidated Financial Statement System (CFS System). This system includes the following components: Hyperion Enterprise, Citrix, the XA Server, and the Financial Statement Trail Head. We use a 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 thin-client operating environment. This section of the guidance describes the CFS System, the purpose of each component, and how users connect to the environment.

The CFS System consists of four servers and they are:

- Citrix Server 1 (Primary communications server)
- Citrix Server 2 (Secondary communications server)
- HYPNT Server (Database server)
- XA Server (File server)

The Figure 9.1 depicts the current operating environment logical layout. 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. Recently we introduced a secondary Citrix server (Citrix Server 2). This server's role is that of a load balancer with the primary Citrix 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 secondary server. In the event that the primary Citrix server becomes unavailable, the secondary server will assume the role as the primary.

The HYPNT server's primary role is to store the Hyperion Enterprise applications (databases). These applications consist of each bureau database, the departmental consolidated database, 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 XA server's primary role is to act as a file server and store all project files. The XA server's role has not changed much from the previous years.

2. *Gaining Access to the System*

When a new user needs access to the Citrix Server and the Hyperion Enterprise applications, the following procedure applies.

- a. All new user requests need to come via the Hyperion project manager at the specific bureau/office. This user request process applies to all new users (headquarters, Bureaus, auditors, etc.). For the current list of designated Hyperion project managers with the authority to request new user access see the new user request page on the Financial Statement Trail Head (<http://financial.nbc.gov/fsgt.html>). To initiate the process, the project manager will complete the secure on-line user request form. Only the approved project managers listed in the link above can access the on-line form. In addition, each manager will have to supply their Citrix user ID, Citrix password, and enter "igsrowasc" in the domain box before accessing the form and submit requests. On the form, the project manager needs to provide the following information about the new user:

1. Employee's name
2. Employee's phone number
3. Employee's email address
4. Employee's LAN ID
5. Bureau/Organization
6. Position Type
7. Approving official's name
8. Approving official's phone number
9. Identify the user type
10. Identify any special requests

Once the form is completed, the manager will submit the form by clicking the "Submit Form" button. The request will automatically be emailed to Mike Sciortino (the CFS System Manager) and Jeff Mauck (the CFS System Operator), also referred to as the "Citrix Administrators."

- b. The Citrix administrators will evaluate the request, and record the user's name in the user tracking system. The Citrix administrators will then email the new user request form to the NBC Technical Support Branch (TSB). The TSB will set up the user's account name and generate a password. These two pieces of information (the user name and password) are referred to as the user's Citrix credentials. **The TSB representative will contact the Citrix administrators and notify the administrators of the users credentials. The Citrix administrators will update the user tracking system with the**



information provided by the TSB and contact the bureau/office manager (or user) directly.

- c. If the new user is a bureau representative and the user will be supporting the Hyperion Enterprise application, a user name and password will be established in the appropriate Hyperion Enterprise application. This task will be performed by Mike Sciortino and/or Patricia Bushrod, the primary Hyperion Administrators. Deb Carey of the Office of Financial Management (PFM) will serve as a secondary Hyperion Administrator.
- d. The Citrix administrators will, on a routine basis, **audit** the user tracking system and update the access list as necessary **based on discussion with the bureau/office managers**.

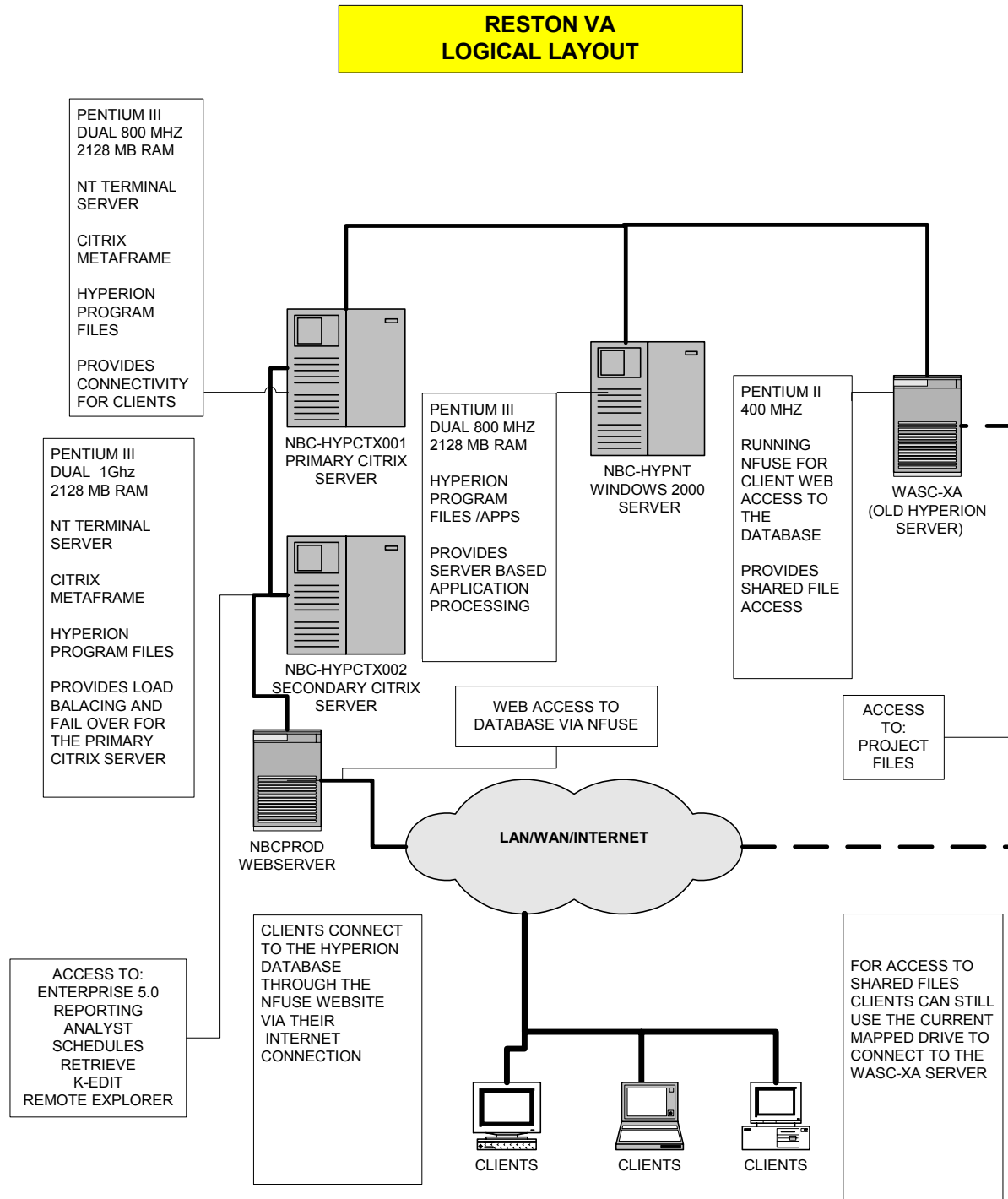


Figure 9.1. CFS System Logical Layout



B. Logging onto the Citrix Server

1. *The Financial Statement Trail Head*

The single point of entry for all financial statement project files is the Department of Interior Financial Statement Trail Head (financial.nbc.gov). The trail head provides access to the Hyperion Enterprise applications and files on the XA server. In addition the Trail Head provides useful information to CFS System users such as access to guidance documents, a link to training material, support for Hyperion and Citrix software, project contact information, and links to other useful websites. The NBC Reston office maintains the Trail Head.

To access the Hyperion Enterprise applications and project files, launch your Internet browser (Internet Explorer is the preferred browser). In the address bar enter <http://financial.nbc.gov> and you will be brought to the Trail Head (see Figure 9.2). Note: if you access the Trail Head often, add the page to your list of favorites. To start the logon process, click on the “Citrix Login” button.



Figure 9.2. The Financial Statement Trail Head

At the Citrix Nfuse login window (see Figure 9.3), enter your Citrix credentials and click “Log In”. Note: you need to have valid Citrix credentials to access the server. See paragraph 2 of this chapter for the procedures for gaining access to the system.

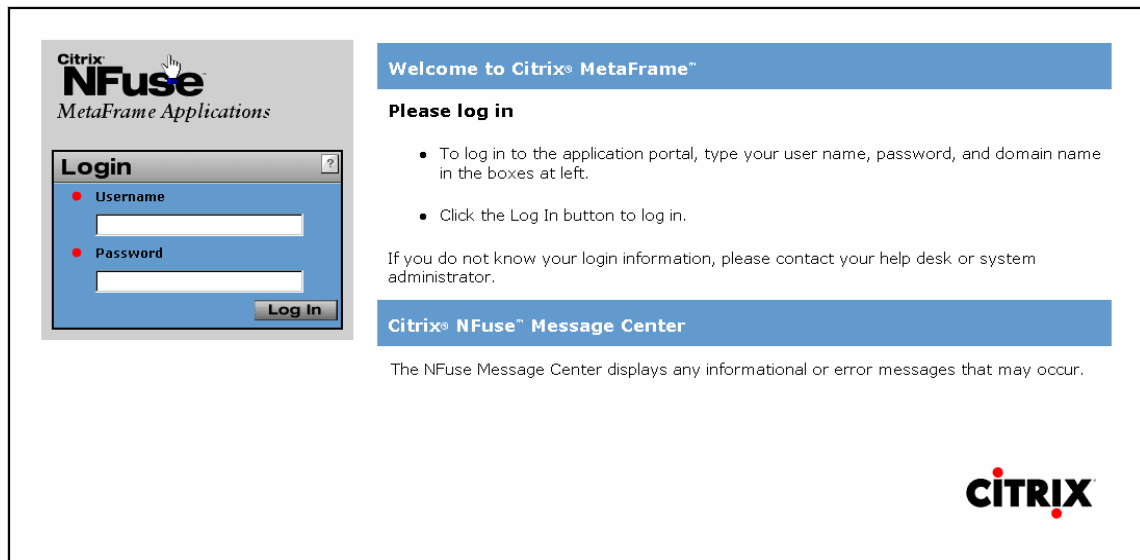


Figure 9.3. The Citrix Nfuse Login Window.

2. *Launching Programs*

After you successfully enter in your Citrix credentials you will see a menu of applications available for your use. The following paragraphs highlight the steps for access each of the **major** applications available via the Citrix server.

3. *Opening Hyperion Enterprise*

To open Hyperion Enterprise, click once on the Hyperion Enterprise folder, and then click once on the Enterprise 5.5 icon. The system will begin to connect and you will receive the standard DOI notification message. Click “OK” at this message. The system will prompt you for your Enterprise application name, user ID, and password. Note: the Hyperion Enterprise user ID and password are separate and distinct from your Citrix credentials **even though they may be synchronized**. From the drop down box select the application you would like to access. Enter your Hyperion Enterprise user ID and password. Another note: make sure your caps lock key on your keyboard is deselected. Click the “Okay button” and you will be brought to the Hyperion Enterprise desktop (see Figure 9.4).

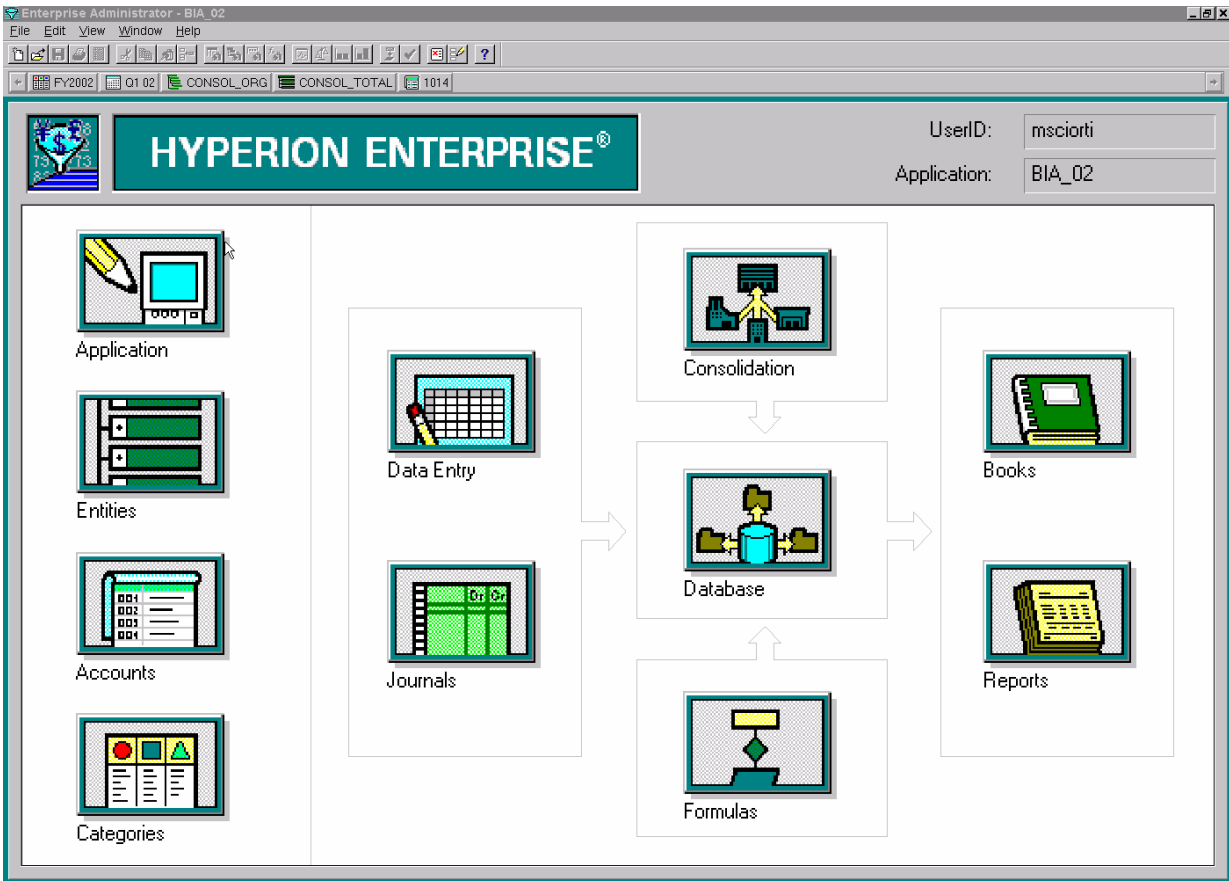


Figure 9.4. Hyperion Enterprise Desktop

4. ***Opening Hyperion Reporting***

To open Hyperion Reporting, click once on the Hyperion Reporting folder, and then click once on the Hyperion Reporting 3.6 icon. The system will begin to connect you and you will receive the standard DOI notification message. Click “OK” at this message. Enter your Hyperion Enterprise user ID and password. Click the Connect button and select the application that you wish to access. You will be brought into the Hyperion Reporting module.

5. ***Opening Hyperion Retrieve for Excel***

To access Hyperion Retrieve, click once on the Hyperion Retrieve icon. The system will begin to connect and you will receive the standard DOI notification message. Click “OK” at this message. Excel will launch and prompt you for your Hyperion Enterprise user ID and password. **THIS IS IMPORTANT:** Leave the user ID and password blank and click ‘OK’ for each application that pops up. User access to all Hyperion Enterprise 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. Also keep in mind that this version of Excel



is running on the Citrix server and its purpose is to run Hyperion Retrieve only. This is not your workstation copy of Excel.

6. ***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 files. To access K-Edit, click once on the K-Edit icon. The system will begin to connect you and you will receive the standard DOI notification message. Click “OK” at this message. From within K-Edit you will have the ability to access files on the NT server and the XA server.

7. ***Opening Remote Explorer***

Remote Explorer is the Trail Head’s version of Windows Explorer. It provides the ability to access the inbox and outbox directories of the Hyperion Enterprise applications, access XA server files, and provide a link to the users local workstation for copying files. To access the Remote Explorer, click once on the Remote Explorer icon. The system will begin to connect you and you will receive the standard DOI notification message. Click “OK” at this message. You will be brought to the default directory, which is “Apps” on the NT server. Users can access the Hyperion Enterprise application directories by drilling into the “Finstate01” folder. Users can access the XA server files by navigating up to the “X” drive.

C. Bureau Applications

1. ***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 9.1 below:



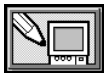
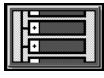



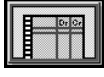


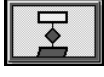


| | | |
|---|----------------------|---|
|  | Application | Edit application's label, description, currency, default translation rate, consolidation methods and percentages, locking accounts and other options. |
|  | Entities | Create, modify, view or print organizations, entities, substructures and subentities, currencies, entity conversion tables and entity lists. |
|  | Accounts | Create, modify, view or print the chart of accounts, subaccount tables, account conversion tables and account lists. |
|  | Categories | Create, modify, view or print categories. DOI has defined categories as fiscal years. |
|  | Data Entry | Create and modify schedules, define schedule preferences, enter and edit data. Print schedules. |
|  | Journals | Enter, load, extract, edit, post, unpost, reverse and print journals. |
|  | Consolidation | Perform consolidations. Consolidations must be performed when modifications are made in the following modules: entities, accounts, categories, data entry, journals, database and formulas. |
|  | Database | View, edit, load, and extract data. Show and calculate formulas. |
|  | Formulas | Create and modify method files. Compile methods and print formula script files. |
|  | Books | Create, modify and compile books using scripts. |
|  | Reports | Manage report sets, print and preview reports. Create, modify and compile reports using scripts. |

Table 9.1 - Overview of Hyperion Enterprise Modules

2. *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 below (Figure 9.5) is an example of the point of view bar in a standard DOI application. DOI has defined the data elements as follows:

- Category = Fiscal year
- Period = Quarters (1 through 4)
- Organization = Various views of data defined as needed for reporting
- Entity = Various fund symbols and grouping thereof
- Account = Defined in chart of accounts

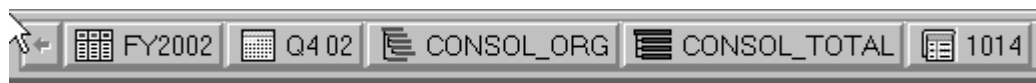


Figure 9.5. Sample Point of View Bar

All Hyperion Enterprise applications contain fiscal year data dating back to FY1998. The data used to produce financial statements for FY2002 will be in the following categories and periods.

| <u>Category</u> | <u>Periods</u> | <u>Description</u> |
|-----------------|----------------|------------------------------|
| FY 2002 | 1-4 | FY2002 pre-closing balances |
| BB2002 | 4 | FY2001 post-closing balances |
| FY2001 | 1-4 | FY2001 pre-closing balances |

The point of view needs to be set correctly to run reports, extract, review, enter, and consolidate data properly.

3. *Opening Periods in the Journals Module*

In the journals module, the quarterly period must be opened before making journal entries. These periods must be opened in sequential order. Periods are opened in the journals module using the “Task” menu and by selecting “Open Period”.

4. *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 which 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. See Figure 9.6 below.

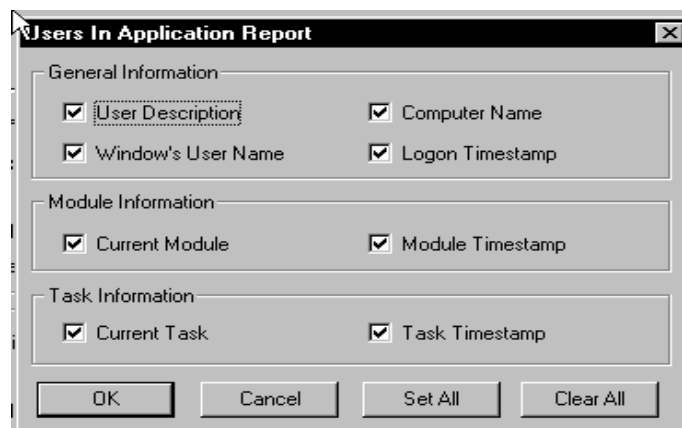


Figure 9.6 - Users in Application Report Dialog Box

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 subsequent screens.

5. ***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. Periodically, the Hyperion Administrators clear the log and save the historical record for reference. The Hyperion Administrators are the only users that can clear the log. The following procedure applies if a user wants the error log cleared.

In order to preserve the historical error log record, users are not able to clear the error log. The Hyperion Administrators are the only users authorized to clear the log at this time. If the error log becomes too large and a user would like it cleared, users are directed to the Hyperion administrators. The administrators will copy the current log text into a file, save the text file in the application directory, and clear the log in the error log dialog box. This preserves the application history.

6. ***Application Sub-Directories***

On the NT Server there are directories for all of the Hyperion Enterprise applications. Within each of these directories there are individual files and folders specific to the Hyperion Enterprise applications. Bureau personnel have access to their bureau sub-directory only (for example, FWS cannot access BLM’s directory, and so on). All auditors have read only access to all directories. Headquarters personnel have full access to all sub-directories.

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 Enterprise reports. |



7. ***Loading and Extracting Information***

a. 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 information 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:

1. Open the Hyperion Enterprise application.
2. Open the application module.
3. Click on the “Task” menu.
4. Select “Extract Application”.
5. 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.
6. Give the extract a file name and click “Ok”.
7. The file will be extracted to the applications outbox.

b. 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 quarter. Bureau personnel are responsible for loading their quarterly trial balances by the dues dates set forth by PFM and documented in this guidance. The NBC is responsible for maintaining the data integrity.

To load data to a Hyperion Enterprise application, bureau personnel follow these steps:

1. Open the Hyperion Enterprise application.
2. Open the database module.
3. Click on the “Task” menu.
4. Select “Load Data”.
5. Click on the “Add” button and navigate to the location of the load file (the default is to the application inbox).
6. Select the “Report Calc Account” option.
7. Select “Replace”.
8. Ensure that in the “Default” setting, the appropriate delimiter is set to match the load file delimiter.
9. Click “Load” and the file will be read into Enterprise.
10. 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:

1. Open the appropriate Hyperion Enterprise application.
2. Open the database module.
3. Under the “View” menu select “Entity List”.
4. Select the “ALL_BASE” entity list.
5. Select the column for the data you are trying to extract
6. Under the “Task” menu, select “Extract Data”
7. Assign a name to the extract file
8. Click “Okay”
9. The data will be extracted to the application outbox.

c. 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:

1. On the Hyperion Enterprise desktop open the journals module.
2. Make sure the point of view is set to the proper category you wish to extract from (FY2002, BB2002, FY2001, BB2001, etc.)
3. Make sure the proper period is selected in the point of view (Q2 02, etc.)
4. Under the “Task” menu select “Extract Journals” for a single period.
5. 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.
6. Click “Okay”.
7. In the “Extract Journals – Single Period” window, check the “Extract Posted Journals as Unposted” box.
8. Give the extract file a name and click save.
9. Back at the “Extract Journals – Single Period” window, click “Okay”.
10. The extract will be written to the application outbox with a “jaf” extension.

D. Project Files

The XA server has been in use for several years to store project files. Project files are defined as those files other than Hyperion Enterprise applications available to all project



members. These files consist of shared Word documents, various Excel spreadsheets, issues tracking lists, official guidance, and other relevant material. The current XA server subdirectories available to users are as follows:

| <u>Sub-Directory</u> | <u>Purpose</u> |
|----------------------|--|
| Bureau | General file storage area for Bureaus |
| BurInfo | General information and guidance for project members |
| BurTeams | Main file area for department-wide project team |

1. ***Mapping to the XA Server***

To map to the XA server you need an LMHOST file configured with the XA server IP address and an account on the NBC domain. The NBC in Reston will maintain all accounts on the server and supply users with the properly configured LMHOST file. To set up an account on the server each user has to supply their LAN login ID. This is the ID that each person uses to log into their local LAN. This is not your LAN password. The NBC will set up the account, notify the user, and guide users through the process of connecting. In general, the procedures for connecting are as follows:

- Make sure that Client for Microsoft Networks is installed on the workstation.
- Copy the LMHOST file to the Windows directory on your workstation (WINNT directory for Windows NT).
- Reboot the machine.
- After the machine reboots, at the Windows desktop right click on the My Computer icon.
- Select Map Network Drive.
- Select the next available drive letter or whichever drive letter you prefer.
- In the Path box, type the following: [\\wasc-xa\ntfs](#)
- De-select the “Reconnect at Logon” box and click “Ok”.
- You should be prompted for a password at this point. Insert the appropriate password (supplied by the NBC) and select okay. You should now see the contents of the XA server directories.

E. System Security

1. ***Location Security***

All of the project servers (Citrix Servers, NT Server, and XA Server) are located in the west wing of the USGS Data Center in Reston, Virginia. Any additional servers added to this project will likewise be placed in the USGS Data Center.

The USGS property in Reston, 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 Reston property is only obtained by either a USGS 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 USGS 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 USGS 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.

2. ***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.

3. ***Operating System Security***

All project servers run on either Windows NT 4.0 or Windows NT Terminal Server. Each server has been loaded with the most current service pack. As new service packs are released they will be reviewed/tested and then place into service once determined satisfactory.

To obtain better security than just the default settings that come with both NT Server and Terminal Server we have implemented several key security measures. First, all servers have been installed on only NTFS partitions. There are no DOS or FAT16 partitions on any of the drives. All drives are also set to audit any attempts to access or modify files to which a user does not have rights.

Second, all servers have had their registries modified to only allow a minimum of six 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 mean 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.

4. *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.

5. *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 assign 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.

6. *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.

Table 9.2 contains the current security classes in the current applications:

| <i>Security Class</i> | <i>Purpose</i> |
|-----------------------|--|
| 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_X | 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. |
| 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. |

Table 9.2 - Security Classes

7. *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 auditor users who require read-only access to all applications.

When a new user needs access to an Enterprise application, the project manager at the reporting site will send a request to the Hyperion Enterprise system administrator asking for the addition. In the Enterprise application, the systems administrator will set up a 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.

8. *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. Table 9.3 summarizes these access rights.

| Assign... | To... |
|-----------|---|
| Modify | <ul style="list-style-type: none">• Allow users to perform tasks.• Allow users to change data.• Allow users to define or change application elements.• Allow users to create, change, and print reports and books. |
| View | <ul style="list-style-type: none">• Allow users to see, but not change data.• Allow users to see, but not change application elements.• Allow users to print reports and books. |
| Limited | <ul style="list-style-type: none">• Allow users to see, but not change application elements.• Prevent users from viewing or changing data.• Provide no access to data except in intercompany matching and consolidations.• Allow users to view or modify data for entities without providing access to the parent entity.• Prevent users from printing reports and books. |
| None | <ul style="list-style-type: none">• Prevent users from performing tasks by disabling menu commands• 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.• Prevent users from printing reports and books. |

Table 9.3 - Access Rights

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.

9. *Anti-virus Protection*

Anti-virus software has been installed and configured to scan each server's hard



drive at least once in a 24-hour period. Also, each instance of the anti-virus software has been set to update their virus files once a week. Anti password grabbing software has been installed to guard against malicious software such as Back Orifice, Slint and l0pth Crack (commonly used password grabbing software).

F. 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 for completing 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.

G. Trial Balance Review

Several reports are available to assist in reviewing and analyzing trial balance data. Bureaus are expected to review selected reports on a weekly basis to ensure data and system integrity. **See Appendix I for a List of Hyperion Reports.**

H. 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.

1. *Journal Entry ID Numbers*

- a. 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. Therefore, it is imperative that journal entry ID numbers are standardized.



The following is a sample of a journal entry ID number: **01_Q302_001**.

01 = Bureau Code
 Q? = Quarter designator (or BB for Beginning Balance)
 FY* = Fiscal Year designator
 001 = Serial counter number (Include leading zeros so that journal entries remain in numerical order - trust us on this one!)

* **Note:** Prior year adjustment entries will have “PY” in place of “Q?” and “01” in place of “02” in the label and must be posted to the **FY2001** Category.

- b. In order to ensure the verifiability of the Department’s FACTS I & II submissions, any entries made after the Department’s FACTS I & II cutoff dates will be coded.

FACTS I cutoff is scheduled for **November 29, 2002** when the Hyperion Enterprise applications are scheduled for a data lock down.

FACTS II cutoff is scheduled for **November 8, 2002**. Any journal entries posted **after** this date will include an “F” after the serial counter number, e.g.: **01_Q402_001F**.

- c. Table 9.4 presents bureau assigned codes to be used in creating journal entry ID numbers:

| | | | | | |
|----|------|----|------|----|------|
| 01 | OS | 06 | BOR | 16 | FWS |
| 02 | OIG | 07 | NPS | 17 | MSM |
| 03 | SOL | 08 | USGS | 18 | OSM |
| 04 | OIA | 09 | USBM | 20 | BIA |
| 05 | NIGC | 11 | BLM | 21 | OTFM |

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able 9.4 - Bureau Codes

- d. Use of these journal entry label formats is required.

2. 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.

3. ***Journal Codes***

Every journal entry must have a journal code. PFM will work with the Bureaus to ensure that appropriate codes are available.

4. ***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 two known occasions when unbalanced entries may need to be posted to Hyperion Enterprise:

- a. 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 Enterprise.
- b. 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.

If you experience either of these situations, contact PFM for procedures to override the “in balance” system edit check.

5. ***Changes to Existing Hyperion Adjusted Journal Entries***

To cut down on the number of entries in Hyperion and to provide for a better audit trail, Bureaus are able to correct previously recorded erroneous journal entries as needed. If a bureau decides 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 and must be labeled as described in Section C.1.b. above.



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 PFMs approval. There are several security options the bureaus can choose from to further safe guard their data. For example, some bureaus have grouped users into two categories: bureau admins and bureau users. The bureau admins are the only people who can post journal entries at the bureau level, the bureau users can only prepare entries. This varies by bureau.

It is **imperative** the bureau notifies the Hyperion System Administrators (Mike Sciortino, Patricia Bushrod, Debra Carey and Donna McKethan) by email so that we can ensure the consolidated application is updated with the change to the journal entry.



Chapter 10

Segment Reporting, GPRA Performance Measures & Cost Accounting

A. 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 Departmental Accountability 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. For fiscal year 2002 the Department is required by OMB Bulletin 01-09 to combine the Accountability Report with the Annual Performance Report.
- The Departmental Annual Report on Performance and Accountability will report on all performance measures included in the related fiscal year Annual Performance Plan. All performance measures included in the Annual Performance Plan will be included in "Other Accompanying Information" section of the Report. A subset of the annual performance measures will be reported in bureau annual financial reports and in the Management Discussion and Analysis (MD&A) section of the Departmental Report. The measures selected for presentation in the bureau annual financial reports should concisely communicate the degree of success in meeting specific goals. Bureau management, Office of Planning and Performance Management (PPP) and PFM will jointly decide the selection of which measures will be reported in the bureau annual financial reports and the MD&A section of the Accountability Report. At least one performance measure will be reported for each GPRA Program Activity in the Department. The Department has undertaken to revise its strategic plan for fiscal year 2004. To the extent feasible, the Department and its Bureaus will provide overview information on how the current performance management process may relate to the new strategic plan.
- The fiscal year 2002 performance measures to be selected for inclusion in the MD&A section of the Departmental Annual Report on Performance and Accountability will be those that best demonstrate the success or failure in each of the Department's GPRA Program Activities with the Department's five goals to:



1. Protect the environment and preserve our Nations' natural and cultural resources;
2. Provide recreation for America;
3. Manage natural resources for a healthy environment and a strong economy;
4. Provide science for a changing world; and
5. Meet our responsibilities to American Indians and our commitments to Island Communities

Bureaus, through their Performance Management Council representatives, will determine which goals and performance measures to include in bureau annual financial reports and in the MD&A section of the Departmental Annual Report on Performance and Accountability. The proposed goals and measures should be:

- ❖ Clearly linked to the five Departmental goals listed above;
- ❖ 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 and sound reporting system;
- ❖ Supported by data that will be available to meet fiscal year-end reporting requirements; and
- ❖ Expected to relate to long-term goals to be included in the **FY 2003 to 2008** Strategic Plan.
- ❖ Representative of a significant portion of the resources devoted to each 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.

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 costs 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.

- It will remain a Bureau responsibility to ensure that data used in reporting on performance measures in the bureau annual financial reports is consistent with data reported in the [Departmental Annual Report on Performance and Accountability](#).

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.

B. GPR A 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 GPR A program activities, which are directly linked to Interior's five strategic goals. These GPR A Program Activities are often referred to as Bureau Mission Goals. The costs for each GPR A activity are in the Bureau financial statements. In addition, these costs are related to the five Department goals in the Department's Accountability Report.

C. Managerial Cost Accounting Concepts and Standards



Effective beginning fiscal year 1997, the Department has been required to comply with the “Managerial Cost Accounting Concepts and Standards for the Federal Government” SFFAS #4. The managerial cost accounting concepts and standards are intended to assist internal and external federal information users including Government managers, Congress and federal executives and citizens in assessing operating performance, stewardship, systems and control of the federal government. The Standards are aimed at achieving three general objectives:

1. 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;
2. 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
3. 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 Concepts are as follows:

Managerial cost accounting should be a fundamental part of the financial management system and, to the extent practicable, should be integrated with other parts 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 as follows:

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.

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 or 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.

D. Responsibility Segment Reporting

SFFAS #4 requires that the management of each reporting entity define and establish responsibility segments. A responsibility 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.



E. Financial Reporting

The Department is required to produce a Statement of Net Cost and a Statement of Budgetary Resources.

1. *Statement of Net Cost*

According to OMB Bulletin 01-09, 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.

In addition, Bulletin 01-09 states that 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.

- To facilitate compliance with the above requirements, the Department has determined that there are three types of segments applicable to its financial reporting:

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

Responsibility Segments: The Statement of Net Cost and related supporting schedules classify revenue and cost information by sub-organization or responsibility segment and, to the extent practicable, within each classification by major program.

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.



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 Segments and GPRA Program Activity Segments is 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 Segments and GPRA Program Activity Segments 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.

- The Department recommends that Bureaus follow the general format in Section 4.2 of OMB Bulletin 01-09, *Form and Content of Agency Financial Statements*, Illustrative Statement – Consolidated Statement of Net Cost. This section illustrates a single column presentation for each year on the primary statement, with the statement detail highlighting the expenses, revenues and net cost of each program. The program information reported in the Statement of Net Costs should be consistent with “GPRA Program Activities” in the GPRA annual performance plans. Footnote disclosure should be used to present GPRA Program Activity split among the various Responsibility Segments. If the Responsibility and GPRA Program Activities are identical, the bureau should take care to avoid redundant reporting. Bureaus should note that segment data



presented in the Statement of Net Costs and in the footnotes will be covered by the auditors' opinion and so will be subject to audit procedures.

- To complement the 01-09 primary statement presentation, a detailed breakout of expenses by type of expenditure (e.g. operating expense, depreciation, bad debt expense, etc.) may be included in the Notes to the Financial Statements.
- For fiscal year 2001 data and beyond, the GPRA Program cost data should be presented in a single column both on the primary statement and in the footnotes.

2. *Statement of Budgetary Resources*

OMB Bulletin No. 01-09 requires that a breakout of the Statement of Budgetary Resources be presented in the Required Supplementary Information section of the report.

- 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 Supplemental 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.

In order for the presentation to be meaningful, the number of budgetary accounts reported should be kept to a reasonable number (e.g. the combining statement should fit on 2 facing pages). The following two approaches might be used to accomplish this.

- The bureau may select the largest budget accounts for specific reporting and aggregate all others in a single column, or
- The bureau may aggregate similar budget accounts (one of which might be "all other").

The decision as to which approach to select should be made considering the relative size and nature of the bureau's budgetary accounts and should be discussed with the auditors. In either case, the total column would be identical to the Statement of Budgetary Resources and the composition of each budget segment would be disclosed as part of Required Supplemental Information. The Statement of Budgetary Resources is a combined statement, thus, budgetary eliminations should not be posted.



3. ***Balance Sheet and Statement of Changes in Net Position***

Segment reporting is permitted for the bureau 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.

F. **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 operation through the use of unit cost measures. Unit costs 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:

- Usefulness* - Will full cost information be useful for management decision-making, 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.

- 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.
- 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 decision-making 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.
- 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.
- 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.

G. **Imputed Costs**

In Form and Content Guidance, costs are imputed only for those select situations identified by OMB.



- 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".)

Department-wide guidance for recognizing retirement costs and imputed financing will not be available until the data is provided by OPM. The format and content of the guidance is not expected to change significantly from **the previous years'** guidance. Department-wide guidance for the accrual of Department of Labor liabilities will be provided when available.



Chapter 11 Management's Discussion & Analysis

SFFAS #15 and SFFAC #3 establish the standards for preparing Management's Discussion and Analysis (MD&A). Additional guidance can be found in OMB Bulletin No.01-09 "*Form and Content of Agency Financial Statements*".

Each bureau's annual report shall include a section devoted to MD&A of the financial statements and related information. This is management's opportunity to convey information about performance, opportunities, and challenges. To be useful, the MD&A must be concise and readable to a non-technical audience. Not all material items in the basic statements, notes and other sections of the annual financial report need to be discussed in MD&A. The MD&A is an integral part of the annual financial statement and should be regarded as required supplementary information (RSI).

The content of MD&A is the responsibility of bureau management. Its preparation should be a joint effort of both the bureau's Chief Financial Officer office and program offices. The MD&A should provide a balanced analytical assessment of performance that includes both positive and negative information. Performance information appearing in the MD&A should be consistent with information appearing in the bureau's performance plans and reports and budget documents.

The bureau's MD&A should include narrative of its:

- Mission and organizational structure;
- Performance goals, objectives, and results;
- Financial statements;
- Systems, controls, and legal compliance; and
- Possible future effects of existing, currently known demands, risks, uncertainties, events, conditions and trends.

Actions needed, taken, and planned may be included within the areas listed above or in a separate section of MD&A.



Chapter 12

Stewardship Reporting

The intent of Stewardship Reporting is to present information regarding the entity's stewardship over assets and resources beyond that which can be communicated in financial statements. The presentation of applicable stewardship reports were required beginning in fiscal year 1998.

The information presented in Stewardship Reports is subject to audit procedures including gaining an understanding of the systems and processes that provide the data for the report, in order to assess the completeness and reliability of the data. **See Appendix J for Stewardship Assets Data Request**

SFFAS #8 identifies several types of Stewardship Reports and describes the basic types of data to be presented. The Stewardship Reports that may be applicable to the Department are described below.

1. *Stewardship Assets*: These are assets owned by the reporting entity but which do not have a relevant or identifiable financial value. Stewardship Assets of the Department include:
 - a. Stewardship land, i.e. public domain land, and land used as parks, wildlife refuges and wilderness areas. Nearly all land managed by the Department is stewardship land.
 - b. Heritage assets, i.e. monuments, museum collections, the National Park System and other national treasures.
2. *Stewardship Investments*: The Federal government incurs many different types of expenses that do not result in the creation of a Federally owned asset, yet which are expected to benefit the nation over time. Stewardship reporting is the vehicle by which agencies may communicate the long-term benefits of these programs and expenses. Stewardship Investments applicable to the Department include:
 - a. Investments in Research and Development, i.e. those expenses incurred by an entity that fund basic, applied and/or developmental scientific research.
 - b. Investments in Human Capital, i.e. those expenses that fund education and training programs that are expected to improve the nation's economic capacity. This would include many of the Bureau of Indian Affairs education programs, as well as job corps programs.
 - c. Investments in Non-Federal Physical Property, i.e. those expenses that fund the acquisition or construction of property that the Federal government does not retain title to. This would include the construction of schools,



roads and other property that will be owned by Indian Tribes rather than BIA.

- ❑ Required disclosures for investments in research and development and human capital must include performance results, including outputs and outcomes. If performance results are discussed in the 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 should be reported as part of the Stewardship Investment disclosures.

Stewardship reporting should be limited to activities which are significant in amount and which are fundamental to the agency's mission. Incidental activities, such as small amounts of research and development or a small job corps program, would not normally require stewardship reporting at the bureau level, although this information will be included in the Departmental stewardship reports.

Stewardship Investment disclosures, including Investment in Non-Federal Physical Property, are intended to permit federal agencies to present to the reader of financial reports the long-term benefits to the nation of certain Federal expenditures when those expenditures do not result in an asset owned by the Federal government. Although the standard does not specifically list land as an example of non-federal physical property, investments in land provide a long-term benefit and are similar to the examples provided in the standard, and so the acquisition of land by grantees with Federal dollars is included in the Investment in Non-Federal Physical Property disclosures.

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 Investment in Non-Federal Physical Property disclosures. 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 on the basis of the predominant use of the grant. In either case, the agency should include textual disclosures that permit the reader to understand the nature of the grants and the long-term benefits to the nation of the grant program.

The auditors will be looking at this area this year to ensure that stewardship reports are prepared where there is significant activity or dollars in a given area. Each bureau should identify the specific stewardship reports to be prepared and the general content of those reports by June 30 of each year. Also, Bureaus should obtain an agreement with their auditors prior to year end. Contact PFM if you have any questions or wish to discuss further.



Chapter 13 Other Required Disclosures

Required Supplementary Information

Intra-governmental amounts represent transactions between federal entities that include activity (consolidated/net of intra-entity transactions) with federal CFO Act and non-CFO Act entities as identified in the Treasury Financial Manual. The intra-governmental supplementary information is limited to the consolidated agency-wide financial statements. All amounts should be net of intra-departmental transactions (consolidated).

- Report, as required supplementary information, intra-governmental amounts for:
 - (a) Assets;
 - (b) Liabilities;
 - (c) Non-exchange revenue;
 - (d) Earned Revenue from trade (buy/sell) transactions along with the gross cost to generate such revenue (for certain reporting entities).
- Report assets, liabilities and earned revenue amounts by trading partner (reciprocal Federal entity).
- Report intra-governmental gross cost to generate earned revenue from trade transactions by budget functional classification.
- Intra-governmental asset and liability categories reported should agree with the intra-governmental asset and liability line items reported on the balance sheet.
- Reporting entities shall reconcile intra-governmental asset, liability and revenue amounts reported in the RSI with their trading partners **semi-annually**, beginning with the six-month period ending March 31, 2002.
- Reporting entities shall reconcile intra-governmental asset, liability and revenue amounts reported in the RSI with their trading partners **quarterly**, beginning with the three-month period ending December 31, 2002.
- Balances reported for “other” asset or liability categories and individual transactions that collectively comprise less than 20 percent of the total asset and liability categories may be excluded from reconciliation.



Chapter 14

Federal Agencies Centralized Trial-Balance System (FACTS) Reporting Processes & Responsibilities

A. FACTS I Reporting

The Treasury Financial Manual, produced by the Financial Management Service (FMS), describes requirements for the electronic transmission of the Department's pre-closing adjusted trial-balance(s) (ATB), the NOTES reports and the FACTS data verification process for fiscal year end reporting via the FACTS I Internet application on GOALS II IAS.

1. *Master Appropriation File (MAF) Reporting*

The MAF is used by FMS to control the ATBs and the FACTS I NOTES reports submitted by the Department. The Office of Financial Management will maintain the master MAF and ensure that it is reviewed and updated.

There is one MAF record for each Treasury appropriation/fund group. Each MAF record is uniquely identified by an 8-digit code, which is a combination of the 2-digit department code, a 2-digit bureau code and a 4-digit fund group code. 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's business line ID for FACTS I NOTES is 01.
- 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 Title Listing - a budget document.

As discussed in Chapter 5, footnote disclosure of intra-governmental gross cost and earned revenue by BSF is required. Therefore, it is imperative that the BSF is correct for each Treasury Fund Symbol. **See Appendix K for the BSF Codes.**

- A fund type ID. **See Appendix L for the Fund Type Codes.**

The MAF is derived primarily from the FACTS_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 FSGT members will receive a MAF verification file to review. The file will contain two worksheets (1) a preliminary list of active Treasury Fund Symbols currently in individual bureau applications and (2) the MAF Data Verification 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.

See Appendix M for a sample of the MAF Data Verification Request Form.

2. *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 SGL accounts in numerical order with the required attributes. The attributes are modifiers that further describe a SGL 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 SGL 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 January 3, 2003.

The ATB submission is done at the Department level only.

3. *FACTS I NOTES Reports*

The report contains 23 individual FACTS I NOTES. It is used to identify additional textual information and detailed SGL account balance information.



Agencies must prepare and transmit the FACTS I NOTES reports at the business line level by January 3, 2003.

- Ensure the SGL account balances on the FACTS I NOTES report agree with the SGL balances on the ATBs, grouped by business lines.

The FACTS NOTES transmission is done at the Department level only.

4. *CFO Verification of Summarized FACTS I DATA*

The CFO performs a verification of the summarized FACTS I data to the agency consolidated financial statements. The verification consists of preparing worksheets, referred to as the account grouping worksheets (AGW), which documents the agency's grouping of SGL account balances into line items presented in the agency consolidated financial statements. The CFO can then compare and explain any differences between the FACTS I data and the audited consolidated financial statements.

- The Department will prepare Account Groupings Worksheets (AGWs) for the following consolidated financial statements:
 - Balance Sheet
 - Statement of Changes in Net Position
 - Statement of Net Cost

The AGWs will be prepared at the Department level only.

B. **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, the 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.

Bureaus submit 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 POB.

- Identify all of their 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 their on-line entry skills prior to the opening of the reporting window.
- Bureau budget staff needs 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 budget offices for review and written approval before final submission of the data to **Treasury**.
- The budget offices will then need to provide feedback and **written** approval of the SF 133 to the preparers before the reporting window closes at Treasury. If it can be arranged, 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 their Hyperion database to ensure that our financial statements reflect what we 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. Phil Daniels in PFM at (202) 208-5225 and Judy Thomas in POB at (202) 208-6690 are available to assist you. Additionally, PFM and POB have established the Budget Execution Working Group comprised of budget and finance staffs



that will help improve the reporting of budget execution data. **See Appendices N and O 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 15

Audit Process Guidance

A. Objective of the Financial Statement Audit

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 increased compliance auditing due to extensive regulation by government authorities and the importance of accountability to the public. Federal compliance audits include compliance with financial laws and regulations and compliance with fundamental internal control procedures.

B. Auditor Responsibilities

The auditors are responsible for planning, supervising, and completing the procedures necessary to complete the audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

As a result of the audit procedures completed, the auditors will issue a combined report that includes the following:

- Their opinion on the financial statements;
- The results of their consideration of internal controls, and
- The results of their tests of compliance with laws and regulations.

1. *Opinion on the Financial Statements*

The opinion is the result of the audit of financial statements conducted to determine whether the overall financial statements are presented in accordance with Generally Accepted Accounting Principles (GAAP). For the Federal Government GAAP are those standards established by the Federal Accounting Standards Advisory Board (FASAB) and issued to the Federal Government by the Office of Management and Budget and the General Accounting Office (GAO.)

2. *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 controls:



- *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;
- *Operations controls* for each operations control relied on in performing financial audit procedures;
- *Performance measure control* for performance measures disclosed in the Management Discussion and Analysis (MD&A); and
- *Required Supplementary stewardship information controls*. The auditors will include reportable conditions and material weaknesses that come to their attention in the internal control section of the combined internal auditors' report. Reportable conditions are significant deficiencies in the design or operation of internal control that, in the auditor's judgment, could adversely affect Interior's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements being audited. Material weaknesses are reportable conditions that have a higher level of risk of a material misstatement in the financial statements.

3. ***Report on Compliance with Laws and Regulations***

The auditors will perform tests to determine compliance with laws and regulations that could have a direct and material effect on the financial statements, required supplementary information, and required supplementary stewardship information, including laws governing the use of budget authority, and any other laws, regulations, and government-wide policies identified in Appendix C of OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. The auditors will report on their findings.

In addition, auditors will test Interior's compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA), section 803(a) requirements and report on their findings. This includes determining whether Interior's financial management systems comply with the: (1) federal financial management system standards; (2) applicable federal accounting standards; and (3) the standard general ledger at the transaction level.

4. ***Management Discussion & 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 (1) management's responses to these inquiries, (2) audited financial statements, and (3) other knowledge obtained during the examination of the financial statements.

5. *Other Accompanying Information*

The auditors will assess whether the following accompanying information or its manner of presentation, is materially inconsistent with the information in the financial statements.

C. **Responsibilities of the Office of Inspector General (OIG)**

The OIG to fulfill its responsibilities under the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994 has contracted with KPMG to audit the financial statements of the Department and the Bureaus. The OIG is responsible for evaluating the independence, objectivity, and qualifications of KPMG and reviewing the work performed for compliance with generally accepted government auditing standards (GAGAS) and contract terms.

D. **GAO Audit Oversight**

The General Accounting Office (GAO) is responsible for the audit of the Government-wide financial statements. In this capacity, GAO personnel will be reviewing certain audit work papers and audit procedures. However, the OIG remains the sole auditor of bureau financial data. Management of GAO, the OIG and PFM have agreed that any requests for information that GAO might have will be discussed with the OIG and, if necessary, passed on to the bureau by the OIG.

We will continue to work with OIG and GAO to ensure that GAO reviews are performed on a timely basis and do not interfere with timely completion of bureau and Department financial statements

E. **Management Responsibilities**

Management is responsible for identifying and recording all financial transactions in accordance with generally accepted accounting principles, legal requirements and regulations. This includes:

- Establishing and maintaining internal controls over financial reporting, required supplementary stewardship information, required supplementary information, other accompanying information and performance measures.



- Preparing the financial statements in conformity with generally accepted accounting principles.
- Complying with laws and regulations, including Federal Financial Management Improvement Act (FFMIA) requirements.

Management's responsibilities require the coordination between Departmental, program, performance and financial management.

1. ***Departmental Management Responsibilities***

- Prepare the Accountability Report including consolidated financial statements for the Department of the Interior that is subject to independent audit review.
- Prepare and submit interim financial statements to management and OMB.
- Establish and issue financial accounting policy for the Department implementing Federal Accounting Standards Advisory Board standards and other directives from the Office of Management and Budget and the Department of the Treasury
- Provide overall coordination for the financial statement audits
- Submit data to the Department of the Treasury in support of the Consolidated Financial Statements for the Federal Government (FACTS I).

2. ***Performance Management Community Responsibilities***

- Collect performance management information for quarterly and annual performance reporting.
- Prepare the performance report for the Department and its specific entities in coordination with the finance offices.

3. ***Program Manager/Field Location Responsibilities***

- Adhere to financial policies and year-end financial closing instructions on a timely basis related to specific program activity.
- Ensure the integrity of financial transaction processes in field locations.
- Ensure transactions are processed on a timely basis and that all appropriate information is accurate and entered properly into the finance system. Such transactions would include payroll transactions, sale of goods and services, cash receipts, purchase transactions, charge card purchases, acquisition and disposition of property, etc.
- Ensure that complete documentation is maintained to support financial transactions, such as credit card purchases, obligations, other payments, etc. (This documentation must be readily available for review by management and internal or external auditors.)



- Review unliquidated obligations (undelivered orders) on a quarterly basis to ensure validity and accuracy. All obligations that are determined to be invalid or unnecessary should be removed or rescinded in a timely manner.
- Work with finance offices to clear suspense funds (both “budget clearing funds” and “deposit funds”) on a timely basis (at least monthly). At the end of each quarter all suspense funds shall be cleared to zero except when exempt by specific legislation or Treasury guidance.
- Bill customers and record receivables promptly in the financial management systems. Ensure finance offices are notified on a timely basis when deposits are made to lock boxes to ensure transactions are properly reflected in the accounting records.
- Review receivables and loan accounts for accuracy on a quarterly basis.
- Refer delinquent debt to the Department of the Treasury within the timeframes required (180 days) by the Debt Collection Improvement Act.
- Review accounts receivable and loans for write-off on a monthly basis. Ensure allowances for uncollectable accounts receivables are reviewed and updated quarterly.
- Ensure all acquisition, deletions and transfers of property are reflected in the accounting records promptly and accurately at the end of each quarter.
- Working with property managers, ensure that all depreciation for property, plant and equipment shall be booked by the end of each quarter in the accounting system (FFS or ABACIS).

4. ***Bureau Finance Office Responsibilities***

- Ensure the accuracy and completeness of financial information and presentation of financial statements in accordance with applicable standards including accurate and timely adjustments and accruals.
- Prepare quarterly financial statements for use by management.
- Prepare the financial statements and related footnote information for annual financial statements.
- Maintain the internal control environment to ensure accuracy and integrity to financial data maintained in the core accounting and related financial management systems.
- Reconcile cash balances with the U.S. Treasury on a timely basis (preferably monthly).
- Reconcile subsidiary records to control accounts in the core accounting systems on a timely basis (preferably monthly).
- Ensure that vendor codes are accurate and reflect the correct trading partner data in cooperation with the procurement and program communities.
- Implement year end accounting and reporting instructions from the Department of the Treasury, the Office of Management and Budget, and the Department of the Interior.



- Reconcile transactions that occur between Bureaus and with other Financial agencies.
- Review budget execution data with bureau budget offices and submit budget execution data to the Department of Treasury (FACTS II) on a timely basis.

F. **Audit Process**

The audit process requires close cooperation between the OIG, the Independent Public Accountants (IPA), the Office of the Secretary, and individual Bureaus, both from a finance office staff, program officials and other interested parties in the Bureaus. Coordination between Departmental, bureau, field operations, the IPA and OIG personnel at the Department, regional office and field audit team levels is important for the timely resolution of issues and timely completion of the audits.

The following steps will occur for each audit:

1. The OIG will issue an audit notification letter.
2. The IPA audit team will prepare an audit plan.
3. The OIG and the IPA will meet with bureau personnel in an entrance conference to outline the audit plan and initiate the audit activities.
4. After appropriate review and discussion with the auditors, the bureau, the OIG and the IPA audit team will agree on the dates for delivery of materials associated with the audit process and the expected timing for the audit activities.
5. The Department and the Bureaus are responsible for providing accurate information and support to the IPA in a timely fashion to complete the audit work.
6. OIG and IPA staff will be given read-only rights to the Consolidated Financial Statements Application (Hyperion Enterprise) and to the "XA" Server to provide them with immediate access to updated financial data and information/instructions maintained for financial statement preparers in shared directories.
7. Periodic meetings will be held at the Bureau level and at the Department level to identify issues that need to be resolved, to coordinate activities and to address any other issues that relate to the audit.
8. The OIG and Department personnel will track the issues until resolution between the Department, the OIG and the IPA.
9. Issues included in the Report on Internal Controls, or in the Report on Compliance with Laws or Regulations will be reported to the OIG and the Assistant Secretary for Planning, Management and Budget for tracking as part of the Management Control process.
10. Periodic meetings will be held between the Inspector General and the Assistant Secretary for Planning, Management, and Budget and their staffs will meet periodically to monitor progress on audit activities.



11. The text of issues that will be included in the auditors report will be provided in writing to the Department or individual Bureaus as early as possible in the audit process to allow time for adequate discussion and final agreement on the issues and final report text.
12. Upon receipt of the draft report, Bureaus or the Department will have no more than 10 working days to respond in writing to the report. With the agreement of both the OIG and the IPA audit teams and Department/bureau management, responses to audit findings may be provided as text to be included in the final opinion, report on internal controls or report on compliance with laws and regulations, as long as the text is provided within 10 working days from receipt of the draft report.

Critical throughout this process is the timely completion of all tasks and the open communication between auditors and annual financial statement preparers. At the end of the audit process for the Department, Department personnel, OIG and the IPA personnel will meet to determine what went well, what areas need to be improved and make recommendation for improvements to the process for the next year.

G. **Representation Letters**

As part of the audit of financial statements conducted in accordance with OMB requirements, the auditor obtains written representation from management. In their Management Representation Letter, which must be customized for the circumstances of the audited entity, the agency head and Chief Financial Officer confirm to the Inspector General various representations relating to:

- ❖ The opinion on the financial statements and the required supplementary stewardship information,
- ❖ The effectiveness of internal control,
- ❖ The financial management system's substantial compliance with Federal financial management system requirements, and
- ❖ Compliance with laws and regulations

After Bureaus submit their Management Representation Letters, the Assistant Secretary–Policy, Management and Budget submits one applicable to the Department's consolidated financial statements.

Further guidance for preparation of the **FY 2002** Management's Representation Letter, including suggested wording for specific representations, will be provided.

See Appendix P for the Management Representation Letter.

H. **Audit Management**

The following are recommended procedures, collectively generated by the Bureaus, for working with IPA:



- Confirm outstanding Prepared by Client (PBC) items at weekly meetings.
- Consider having IPA sign or initial for receipt of PBC items.
- Assign right personnel to attend meetings.
- Identify who is responsible for maintaining PBC list (Bureaus should consider doing this themselves).
- Assign a staff person and a backup person to monitor the PBC list. This person will act as central point of contact and sign off.
- Keep copies of documentation given to audit team or at a minimum copy the first page to provide an example of the package.
- Discuss approaches agreed upon in weekly FSGT meetings.
- Be forthcoming with audit personnel. The audit is based on mutual trust. The Department and its Bureaus are responsible for providing complete and accurate information to its financial statement auditors and ensuring that financial information is accurate.



Chapter 16

Role of Financial Statement Guidance Team

The Financial Statement Guidance Team (FSGT) has been formed under the authority of the Department's Finance Officers' Partnership. The FSGT has one sub-team, the Technical Hyperion Users Group (THUG). The FSGT meets by teleconference on a periodic schedule agreed to by the membership, generally weekly or bi-weekly. The THUG meets on an as needed basis.

Membership of both teams is comprised of representatives from the Office of Financial Management and each bureau finance office as well as headquarters personnel. Audit personnel from the outside audit firm and the OIG may be invited to meetings when appropriate.

The purpose of the FSGT is to serve as a forum for the identification and resolution of issues related to the preparation and audit of the Department and Bureau financial reports, and the dissemination of related guidance. Whenever possible, proposed policies and guidance are discussed in this forum and consensus reached prior to finalization. As a rule, the FSGT does not operate as a "workgroup" and FSGT members are not normally expected to work on projects for the FSGT, with the exception of:

- ❖ Occasional specific requests to resolve accounting issues
- ❖ Requests to provide information necessary for consolidated Department reporting. Whenever possible, the information needed for the consolidated reporting will be the same as that included in bureau reports.



Chapter 17 Appendices

Appendix A: Key Milestones

| Key Milestones | Date | Dept | Bureaus | KPMG | OIG |
|--|--------------------|-------------|----------------|-------------|------------|
| Load 2 nd Quarter Data into Hyperion | April 18, 2002 | | X | | |
| Finalize semi-annual Financial Statements and submit to OMB | May 30, 2002 | X | | | |
| Complete reconciliation of 2 nd Quarter intra-dept elimination data | May 31, 2002 | | X | | |
| Distribute FY2002 Financial Statement Preparation Guidance | June 7, 2002 | X | | | |
| Provide Draft Financial Statement Formats (w/ 2 nd Quarter data) & Footnote Charts to KPMG Note: External financial data (outside of Hyperion) may not be available at this time. Provide only the format. | June 30, 2002 | X | X | | |
| Load 3 rd Quarter Data into Hyperion | July 15, 2002 | | X | | |
| Place 3 rd Qtr intra-dept elimination data on XA drive and/or in Access | July 15, 2002 | | X | | |
| Complete reconciliation of 3 rd Quarter intra-dept and intra-government elimination data | July 31, 2002 | | X | | |
| Review and comment on Financial Statement Formats & Footnote Charts | July 31, 2002 | | | X | |
| Submit new AGWs format to Treasury | August 9, 2002 | X | | | |
| Provide 3 rd Quarter Financial Statements to KPMG (no segment statements or footnotes) | August 9, 2002 | | X | | |
| Identify Performance Measures to be included in Bureau & Consolidated Financial Reports | August 15, 2002 | X | X | | |
| Load August 31 Data into Hyperion (Data as reflected in core accounting system) | September 13, 2002 | | X | | |
| Submit Preliminary Museum and Stewardship Info to PFM | September 15, 2002 | | X | | |
| Confirm Master Appropriation File (MAF) Data to PFM and confirm Hyperion Entity Structure | September 18, 2002 | | X | | |
| Provide August 31 Financial Statement Line Item Variance Analysis to PFM | September 20, 2002 | | X | | |
| Submit MAF to Treasury | September 23, 2002 | X | | | |
| Provide Draft Internal Control & Compliance Reports to OIG | September 30, 2002 | | | X | |
| Provide Draft of MD&A | September 30, 2002 | | X | | |
| | Date | Dept | Bureaus | KPMG | OIG |



Key Milestones

| | | | | | | |
|--|-------------------|---|---|--|---|---|
| Provide Draft Internal Control & Compliance Reports to Bureaus | October 7, 2002 | | | | | X |
| Place 4 th Quarter Elimination Data on XA drive | October 15, 2002 | | X | | | |
| FACTS II window opens | October 21, 2002 | | | | | |
| Close General Ledger & Load Data into Hyperion Data Base | October 23, 2002 | | X | | | |
| Complete reconciliation of 4 th quarter intra-dept and intra-government elimination data | November 1, 2002 | | X | | | |
| All Bureau-Initiated Adjustments complete (excludes final audit adjustments and, if applicable, FECA) – Provide Final Trial Balance with short list of Outstanding Journal Entries, if any | November 1, 2002 | | X | | | |
| Provide Preliminary Performance Data to PFM and Office of Planning and Performance Management (PPP) | November 1, 2002 | | X | | | |
| FACTS II window close – budget data final | November 8, 2002 | | | | | |
| Provide Complete Annual Report (with Final Performance Data) to KPMG | November 15, 2002 | | X | | | |
| Submit Final Stewardship & Deferred Maintenance Info to PFM | November 15, 2002 | | X | | | |
| Submit Final Footnote data to PFM | November 15, 2002 | | X | | | |
| Provide Final Audit Adjustments | November 29, 2002 | | | | X | |
| Hyperion Enterprise Data final & locked down of Bureau Data | November 29, 2002 | | | | | |
| End of Field Work – Bureau Audits | November 29, 2002 | | | | X | |
| Provide complete draft audit reports to OIG | November 29, 2002 | | | | X | |
| Provide signed Management Representation Letter to KPMG | November 29, 2002 | | X | | | |
| Provide Preliminary Draft of Accountability Report to KPMG | December 2, 2002 | X | | | | |
| Submit Final Annual Reports to KPMG (reflecting Auditor’s comments) | December 6, 2002 | | X | | | |
| Provide complete Draft Audit Opinion/ Reports to Bureaus | December 6, 2002 | | | | | X |
| Provide Bureau Comments for Audit Opinion | December 16, 2002 | | X | | | |
| Provide Draft Department-wide Internal Controls and Compliance Report to OIG | December 16, 2002 | | | | X | |
| Provide Complete Accountability Report to KPMG | December 19, 2002 | X | | | | |
| Final Bureau Audit Opinions Prepared (including bureau responses) | December 19, 2002 | | | | X | |

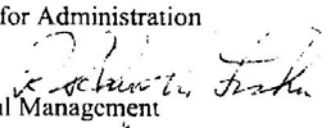

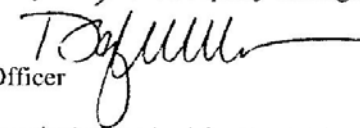


| Key Milestones | Date | Dept | Bureaus | KPMG | OIG |
|--|-------------------|-------------|----------------|-------------|------------|
| Camera-Ready Version of Bureau Reports Complete | December 19, 2002 | | X | | |
| Provide Draft Department-wide Internal Controls and Compliance Report to Department | December 23, 2002 | | | | X |
| Submit ATBs, NOTES & Account Groupings Worksheets (AGWs) for FACTS I Report to Treasury | January 3, 2003 | X | | | |
| Submit Final Accountability Report to KPMG (reflecting KPMG comments) | January 10, 2003 | X | | | |
| End of Field Work – Consolidated Audit | January 10, 2003 | | | X | |
| Provide complete Draft Audit Opinion for Consolidated Financial Statements to OIG | January 10, 2003 | | | X | |
| Submit Final Accountability Report to OMB for Review | January 10, 2003 | X | | | |
| Submit Final Adjustments for ATBs, NOTES & AGWs for FACTS I | January 12, 2003 | X | | | |
| Submit Final AGWs w/explanation of differences to FMS, OMB & GAO | January 12, 2003 | X | | | |
| Provide complete Draft Audit Opinion for Consolidated Financial Statements to the Department | January 15, 2003 | | | | X |
| Provide comments on Draft Audit Opinion | January 20, 2003 | X | | | |
| Provide final Audit Opinion for Consolidated Financial Statements to the Department (with Department Comments) | January 24, 2003 | | | X | |
| Department's Accountability Report Issued with Audit Opinion | January 31, 2003 | X | | | |

**Appendix B: Standard for Capitalizing the Cost of Internal Use Software Memo****United States Department of the Interior**OFFICE OF THE SECRETARY
Washington, D.C. 20240

MAR 12 2001

Financial Statement Guidance Memo No. 2001-001

To: Bureau Chief Financial Officers
Assistant Directors for AdministrationFrom: R. Schuyler Leshner 
Director of Financial ManagementDebra E. Sonderman 
Director, Office of Acquisition and Property ManagementDaryl W. White 
Chief Information OfficerSubject: Department of the Interior's Standard for Capitalizing the Cost of
Internal Use Software

In June 1998, the Federal Accounting Standards Advisory Board (FASAB) issued Statement of Federal Financial Accounting Standards (SFFAS) Number 10, Accounting for Internal Use Software for reporting periods that begin after September 30, 2000. The Department is required to comply with this standard for fiscal year 2001.

Policy

The Department of the Interior will capitalize internal use software following the requirements of SFFAS Number 10 effective October 1, 2000. Costs incurred prior to October 1, 2000, whether capitalized or not, should not be adjusted to the amounts that would have been capitalized, had this statement been in effect when those costs were incurred.

Procedures

Following are the Departmental procedures for implementing SFFAS Number 10. Cost of internal use software, whether it is commercial off-the-shelf (COTS), contractor-developed, or internally developed, will be capitalized. The details regarding the types of cost elements to capitalize, the timing and thresholds of capitalization, amortization periods, accounting for impairment, and other guidance follow. The highlights of establishing the agency threshold, items expensed as incurred, capitalizable costs, and implementation are summarized below for your convenience.



Capitalizable Internal Use Software

Capitalizable internal use software includes COTS (e.g., commercially purchased), contractor-developed software (e.g., contractors hired to develop substantially all of the desired software), or internally developed software (e.g., software developed internally using your own employees, with or without a contractor's assistance).

Capitalization Thresholds

The Department of the Interior's capitalization threshold for software is \$100,000 for individual, enterprise, and bulk purchases.

Capitalizable Costs

Internally Developed Software:

Capitalized cost should include the full cost (direct and indirect cost) incurred during the software development stage. Such cost should be limited to cost incurred after:

- a. Management authorizes and commits to a computer software project and believes that it is more likely than not that the project will be completed and the software will be used to perform the intended function with an estimated service life of 2 years or more and;
- b. The completion of conceptual formulation, design, and testing of possible software project alternatives (the preliminary design stage).

Such costs include those for new software (e.g., salaries of programmers, systems analysts, project managers, and administrative personnel; associated employee benefits; outside consultants' fees; rent; and supplies) and documentation manuals.

Purchased Software:

- a. COTS Software: Capitalized cost should include the amount paid to the vendor for the software.
- b. Contractor-developed Software: Capitalized cost should include the amount paid to a contractor to design, program, install, and implement the software. Material internal cost incurred by the federal entity to implement the COTS or contractor-developed software and otherwise make it ready for use should be capitalized.

These requirements do not apply to software that is an integral part of stewardship plant and equipment; e.g., part of a physical historic structure that is intended to be preserved



indefinitely. Within Interior this situation would be rare. * Software used to manage heritage assets would be capitalized. Likewise, software that is integral to stewardship investment programs, such as Research and Development and investments in Human Capital, would also be capitalized. These costs would be presented as Stewardship investments as the asset is amortized.

Tracking of Capitalized Costs

Capitalized internal software costs should be tracked and, once the threshold is met, the software should be recorded in the Bureau/Office Property Management System. Software below the \$100,000 threshold may be tracked and controlled at the bureau/office discretion. Each Bureau/Office will capture information on all software valued at \$100,000 or more electronically (i.e., spreadsheet or the Information Technology Investment Portfolio System (ITIPS) when it becomes available throughout the Department.)

Amortization of Capitalizable Costs

Software that is capitalized according to this standard should be amortized in a systematic and rational manner over the estimated useful life of the software. The estimated useful life used for amortization should be consistent with that used for planning the software's acquisition.

- For each module or component of a software project, amortization should begin when that module or component has been successfully tested. If the use of a module is dependent on completion of another module(s), the amortization of that module should begin when both that module and the other module(s) have successfully completed testing.
- Any additions to the book value or changes in useful life should be treated prospectively. The change should be accounted for during the period of the change and future periods. No adjustments should be made to previously recorded amortization. When replacing existing internal use software with new software, the unamortized cost of the old software should be expensed when the new software has successfully completed testing.

*NOTE: These requirements would also not apply to national defense property, plant, and equipment (PP&E) that includes (1) the PPE components of weapons systems and support PP&E owned by the Department of Defense or its component entities for use in the performance of military missions and (2) vessels held in a preservation status by the Maritime Administration's National Defense Reserve Fleet. However, this situation does not exist in the Department of the Interior.



Accounting Treatment for Other Related Internal Software Costs

The following items will be expensed as incurred.

- 1) The cost of minor enhancements resulting from ongoing systems maintenance.
- 2) The purchase of enhanced versions of software for a nominal charge.
- 3) Cost incurred solely to repair a design flaw or to perform minor upgrades that may extend the useful life of the software without adding capabilities.
- 4) Bulk purchases of software (e.g., multiple spreadsheet programs for a science center) may be converted to the unit price to decide if the purchased software should be capitalized. For example, if 10 copies of a software program were purchased for \$200,000, then the unit price would be \$20,000, and this software would not be capitalized. However, using this example, if the purchase price were \$2,000,000, then the unit price would be \$200,000, and this software should be capitalized in the aggregate.

NOTE: License of COTS software packages with a short useful/service life (e.g., 2 years maximum) is always expensed, whether purchased in bulk or not.

- 5) All data conversion costs incurred for internally developed, contractor-developed, or COTS software, including the cost to develop or obtain software that allows for access or conversion of existing data to the new software. Such cost may include the purging or cleansing of existing data, reconciliation or balancing of data, and the creation of new/additional data.
- 6) Costs incurred after final acceptance testing has been successfully completed. Where the software is to be installed at multiple sites, capitalization should cease at each site after testing is complete at that site.
- 7) Annual license maintenance costs and/or fees.

Please contact Debra Carey on (202) 208-5542 or debra_j_carey@ios.doi.gov, if you have questions concerning this policy.

cc: Deputy Chief Financial Officers
Financial Statement Guidance Team
Finance Officers Partnership
SACAT
Property Officers
Acquisition Management Partnership
DOI Bureau CIOs
Assistant IG for Audits

bcc: PAMrdg/subjfile:tb:10/19/00:1/4/01:02/27/01Barry(O:\barry\SoftwareThreshold)

Appendix C: SAMPLE – Determination of Capital Leases



This spreadsheet applies the criteria in SFFAS #5 to determine if a lease should be classified as a capital lease.

Note: Only cells shaded yellow require input.
The Blue colored text indicates formulas. Do not change these cells.

Instructions:

A. Input the following information:

| | | | |
|--------------------------------------|--|--|--|
| <i>Description of Lease / Asset:</i> | | | Smith & Co Road Grader Ser #123456 / Lease # ABC-1234 |
| <i>Date of Lease:</i> | | | May 25, 2002 |

| | | | |
|--|-----------|--|---|
| <i>Information from the lease:</i> | | | |
| | | | Note: If the likelihood that the government will cancel the lease before expiration is remote, then terms related to the "availability of funds" should not be considered in determining the non-cancelable lease term. |
| Non-cancelable Lease term (years) | 5.0 | | |
| Annual Lease Payment (\$) | 27,500.00 | | |
| Cost to purchase asset at end of lease | 1,750.00 | | If lease does not contain a purchase arrangement, enter "NA". Otherwise enter a \$ amount. |

Information about the asset:

| | | | |
|--|------------|--|-----------------|
| Estimated total useful life of the asset (years) | 8.0 | | |
| Age of asset at lease inception | - | | If new, enter 0 |
| Value of leased asset at lease inception (\$) (What is the asset worth today?) | 125,000.00 | | |
| Estimated value of asset at end of lease (when non-cancelable term is up) | 25,000.00 | | |

Other Information:

| | | | |
|---------------|-------|--|---|
| Interest Rate | 4.01% | | Use "Daily Treasury Yield Curve Rate" for time period closest to lease term. See www.treas.gov/offices/domestic-finance/debt-management/interest-rate/index.html |
|---------------|-------|--|---|

B. Circle Yes or No in response to each question. One or more "Yes" answers indicate a capital lease.

Yes / No

Step 1

Does the lease transfer ownership of the property to the lessee by the end of the lease term?

If yes, the lease is a capital lease.

Yes / No

Step 2

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Does the lease contain an option to purchase the leased property at a bargain price?

| | |
|--|-----------|
| Cost to purchase asset at end of lease | 1,750.00 |
| Estimated asset value at end of lease | 25,000.00 |

Would a reasonable person consider the purchase price to be a bargain that would almost ensure that the option to purchase is exercised? If yes, the lease is a capital lease.

Example: If the estimated value of the asset at the end of the lease is 25,000 and the lease contains an option to purchase the asset for 422,000, this may or may not turn out to be a bargain and the answer would be "No". However, if the option price is \$250, this will certainly be a bargain and the lease is a capital lease. This evaluation requires judgment.

Steps 3 & 4

Steps 3 and 4 do not apply if asset is in the last 25% of its useful life.

| | | |
|----------------------------------|--------|---------------------------|
| Total useful life of asset | 8.0 | |
| Current age of asset | - | |
| Remaining Useful Life | 8.0 | |
| Percent of useful life remaining | 100.0% | Continue to Steps 3 and 4 |

Yes / No

Step 3

Is the lease term greater than or equal to 75% of the estimated economic life of the leased property?

| | | |
|-----------------------------------|-----|-----------|
| Estimated useful life (years) | 8.0 | |
| Times 75% | 75% | |
| = 75% of estimated economic life | 6.0 | |
| Non-cancelable Lease term (years) | 5.0 | |
| Difference | 1.0 | Answer NO |

If the difference is negative the lease is a capital lease.

Yes / No

Step 4

Does the present value of rental and other minimum lease payments, excluding that portion of the payments representing executory cost, equal or exceed 90 percent of the fair value of the leased property?

| | |
|---|------------|
| Value of leased asset (What is the asset worth today) | 125,000.00 |
| Times 90% | 90% |
| = 90% of value of leased asset (at lease inception) | 112,500.00 |

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| | | | |
|--|--|--|--------------------|
| | | | Note: This Present |
|--|--|--|--------------------|



| | | | |
|--|------------|---------------|---|
| | | | Value computation assumes equal annual payments. If this assumption is not correct, preparer is responsible for estimating present value by other means. <i>(This is the amount that will be entered into the property system if the lease is determined to be a capital lease. Property will record the asset – work with Finance to ensure that the liability is recorded.)</i> |
| “Present Value” of minimum (non-cancelable) lease payments | 122,390.73 | | |
| Difference | (9,890.73) | Answer YES | |

If the difference is negative the lease is a capital lease.

C. Conclusion:

| | | |
|--|--|--------------|
| Will the lease be treated as a Capital Lease? | | Yes |
| Prepared by: | | John Johnson |
| Date: | | 6/20/02 |

| | | |
|------------------|--|--|
| | | The lease contains a standard provision for cancellation if funding is not obtained, however this provision is accompanied by a significant penalty clause, and the exercise of this cancellation “option” is extremely unlikely. In substance, the lease is non-cancelable for 5 years. |
| Comments: | | Asset value determined by reference to advertised price to purchase the same model in the May 2002 XYZ Corp catalog. |

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Appendix D: Deferred Maintenance Data Request



The Statement of Federal Financial Accounting Standards #6, “Accounting for Property, Plan, and Equipment,” requires annual disclosure of the estimated cost to remedy accumulated deferred maintenance on Interior plant, property, and equipment (PP&E) for both General and Stewardship PPE. Deferred maintenance information is based on information gathered as part of the (a) deferred maintenance information used to support the Department’s Five-Year Deferred Maintenance and Capital Improvement Plan and (b) information on deferred maintenance that has not been included in the Five –Year Plan. Bureaus should submit their FASAB #6 disclosure to the Office of Financial Management according to the dates shown below:

September 15, 2002:

- Bureaus collect and update FY2002 deferred maintenance information for the following categories:
 - (1) Critical health and safety deferred maintenance
 - (2) Critical resource protection deferred maintenance
 - (3) Critical mission deferred maintenance
 - (4) Compliance and other deferred maintenance
- This information should be updated on the Citrix Server under the Deferred Maintenance Folder.
- Deferred maintenance information and support detail should be made available to bureau financial statement auditors upon request. This update will include an update of the final Five-year Deferred Maintenance and Capital Improvement Plan data for the current year based on the approved appropriation information for the year.

November 15, 2002

- Bureaus update their final FY2002 deferred maintenance needs on the Citrix Server reflecting any revision that may have occurred in completing the bureau’s Five-Year Deferred Maintenance and Capital Improvement Plan budget request for FY2004.
- Deferred maintenance information from the final FY2002 budget report and FY2004 - FY2008 Five-Year Deferred Maintenance and Capital Improvement Plan submitted to the Department and OMB on September 10, 2002 as required in the FY2003 Budget Request Formulation Guidance.
- This deferred maintenance information should be made available to bureau auditors upon request.
- The information should also be verified against Bureau’s FY2002 Project Completion Report that is required to be submitted to the Department’s Budget Office or other sources for project completion information.



The format for the submission should be as follows:

- A description of the deferred maintenance program, identification of the types of assets involved and any other related information the bureau feels appropriate.
- An excel spreadsheet that contains, at a minimum, the following information:
 - ❖ Organizational Unit
 - ❖ Class of Asset
 - ❖ Condition Category
 - ❖ Estimated Range of Deferred Maintenance
 - General PP&E
 - Stewardship PP&E
 - Total

Detailed source information should be maintained for review by auditors.

**Appendix E: Information on Legal Claims and Assessments for Annual Financial Statements Data Request**

Memorandum

To: Solicitor

From: P. Lynn Scarlett
Assistant Secretary - Policy, Management and Budget

Subject: Request for Legal Representation Letters for Audited Financial Statements

At the end of fiscal year 2002, the Department (including each of the bureaus) will again prepare fiscal year financial statements (collectively, the consolidated financial statements), which will be audited. In accordance with Statement of Federal Financial Accounting Standards (SFFAS) Number 5, *Accounting for Liabilities of the Federal Government*, as amended by SFFAS Number 12, and Interpretation Number 2 of SFFAS Numbers 4 and 5, the consolidated and bureau financial statements (with footnote disclosures) must include certain information about contingent liabilities arising out of litigation, claims, and assessments. Moreover, consistent with procedures contained in AU 337, *Inquiry of a Client's Lawyer Concerning Litigation, Claims, & Assessments*, of the American Institute of Certified Public Accountants' (AICPA's) Codification of Statements on Auditing Standards and OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, the Office of Inspector General (OIG) and KPMG require us to have the Office of the Solicitor prepare a legal representation letter for the OIG and KPMG regarding contingent liabilities for litigation, claims, and assessments to satisfy the auditors as to the financial accounting and reporting of such matters in the consolidated financial statements.

The Department of Justice reviews the legal contingency information and submits to the General Accounting Office (GAO) a Government-wide legal representation letter. The information is also submitted to the Office of Management and Budget (OMB) and to the Department of the Treasury, which consolidates individual agency financial statements into an annual Financial Report of the U.S. Government. Accordingly, the Departmental legal representation letter will be used in the preparation and audit of the FY 2002 Government-wide consolidated financial statements.

The American Bar Association Statement of Policy Regarding Lawyers' Responses to Auditors' Requests for Information (December 1975) provides relevant guidance for the legal office's response. Regarding cases where Justice Department 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 is required to prepare a legal representation letter following the guidance in OMB Bulletin No. 01-02, Appendix H-2, except that the descriptions of legal contingencies should be provided on two standard forms depending on the type of matter involved. (See Attachments 1 and 2.) A separate form should be completed for each case or group of related cases, and the forms should be attached to the legal representation letters (September 2002 interim letter, December update letter, and January 2003 final letter). In addition, during the period between the effective dates of the September 2002 interim and January 2003 final letters, update forms are to be promptly submitted to the Office of Financial Management (PFM) for cases with changed likelihood or estimate of loss or other significant developments.

Please enter data onto the attached applicable standard form; **these formats are PFM's revisions of formats suggested by DOJ**. The forms contain complete descriptions of the required fields listed below. Note that the applicable dollar threshold level 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 for a particular pending or threatened case (regardless of whether you reported the case for FY 2001) or an update, and provide the date**. Related cases should be grouped, and cases should be sequenced in descending order of potential liability. Matters for which the amount of potential loss cannot be estimated should be at the end of the sequence.

A. Pending or Threatened Litigation

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

1. Case Name
2. Nature of Matter
3. Progress of the Case to Date
4. The Government's Response or Planned Response
5. An Evaluation of the Likelihood of Unfavorable Outcome
6. An Estimate of the Amount or Range of Potential Loss **and Expected Source of Funds for Payment**
7. The Name and Phone Number of the Agency 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 calls for 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
3. The Government's Planned Response
4. An Evaluation of the Likelihood of Unfavorable Outcome
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 Agency and DOJ Attorneys Handling the Case (Matter)
7. The Sequence Number

For purposes of this request, please include any matter individually involving amounts of **\$300,000** or more for BIA, BLM, FWS, BOR, USGS, NPS, **OSM, MMS**, and Departmental Offices, amounts of \$50,000 or more for the Office of the Special Trustee for America Indians and the Interior Franchise Fund. Please identify all matters with respect to which the Office of the Solicitor has been engaged and to which it has devoted substantive attention on behalf of the Department, its bureaus, offices, officers, and employees in the form of legal consultation or representation, including those cases for which you believe the Judgment Fund or another government entity will be responsible for any potential liability. The legal representation letter should provide current, accurate, and complete information.

Please specifically confirm to the auditors that my understanding of the following is correct: whenever, in the course of performing legal services for the Department with respect to a matter recognized to involve an unasserted possible claim or assessment that may call for financial statement disclosure, if you have formed a professional conclusion that the Department should disclose or consider disclosure concerning such possible claim or assessment, 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.

The timing of the interim, update, and final legal representation letters is discussed below. In addition, during the period between the effective dates of the September 2002 interim and January 2003 final letters, please promptly submit to the Office of Financial Management (PFM) update forms only (without a legal representation letter) as it becomes known that there is a change in the evaluation of the likelihood of unfavorable outcome, a change in the estimate of the amount or range of potential loss, or other significant development. PFM will then promptly distribute this information to bureau finance personnel.

Timing of Representation Letter for Bureau Financial Statement Requirements

No later than September 25, 2002, please submit through the PFM your interim legal representation letter with information by bureau on pending, threatened, and unasserted claims and assessments regarding matters known by the Office of the Solicitor through September 15, 2002, including those being handled by the Department of Justice on behalf



of the Department. **Please report on all new cases, still-pending cases which were reported in the FY 2001 legal representation letters, and those that were reported in the FY 2001 letters but have been closed in FY 2002.** All cases reported in the September 2002 legal representation letter should be marked “original” **even if pending in FY 2001.** PFM will provide this information to the bureaus for their use in preparing bureau annual financial reports.

In addition, by December 16, 2002, please submit through PFM a legal representation letter to update the September interim letter for any additional matters, changes and deletions that arise from the effective date of the September interim letter through December 10, 2002. The update should not include cases with information unchanged from the September letter.

Timing of Update for Department and Government-wide Financial Statement Requirement

By January 22, 2003, for purposes of the Department and Government-wide **FY 2002** Financial Statements, a final legal representation letter should be submitted with updated information through January 15, 2003. It should contain additional matters, changes and deletions which have arisen since the December update. This final legal representation letter should not include information which is unchanged from the December 2002 update.

Submission of the Information

The information about contingent liabilities for litigation, claims, and assessments and subsequent updates should be submitted to Mr. Earl E. Devaney, Inspector General and Mr. Jeff Norris, KPMG LLP, through the Office of Financial Management. The Inspector General is required to submit copies of the original letter and updates to the Office of Management and Budget (OMB--Deputy Controller, Office of Federal Financial Management), the Department of the Treasury (Commissioner, Financial Management Service), and the GAO (Managing Director, Finance and Assurance Team).

If you have any questions, please contact R. Schuyler Lesher, Director of Financial Management, on (202) 208-4701.

Attachments (2)



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.)*

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 of 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; source of funds is Judgment Fund or agency appropriation.)*

7. **The Name and Phone Number of the Agency 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. E.g. Number _____ of _____).*

(#)
(total)

Attorney-Client Agency Work Product Privilege

**Appendix F: Updating List of Sites With Potential Environmental Liability Data Request**

Memorandum

To: Bureau Chief Financial Officers

From: R. Schuyler Leshner
Director, Office of Financial Management

Subject: Updating List of Sites With Potential Environmental Liability

Statement of Federal Financial Accounting Standard Number 5, "Accounting for Liabilities of the Federal Government," requires that agencies disclose information on estimated environmental liabilities in their annual financial reports. In order to again comply, each bureau will need to provide the Office of Financial Management (PFM) with information on their estimated environmental liabilities to be used in preparing the Department's financial statements. By October 15, 2002, bureaus are to submit their final FY 2002 environmental liability information as of September 30, 2002.

Bureaus' portions of the F.Y. 2001 "Draft List of Sites With Potential Environmental Liability" are available electronically for reference purposes. *This data is not current and not complete, and it should be revised as necessary to support financial statement disclosure.* All bureaus which have environmental contamination sites, including those which have not submitted a list previously, are requested to provide complete and current data.

We request that bureaus, in coordination with the Solicitor's Office, update and correct information related to their environmental contamination sites, including sites with hazardous materials or abandoned mines, and provide estimates of remediation costs from (a) remedial investigations / feasibility studies or other studies and evaluations, (b) records of decision or other agreements, (c) legal judgments, assessments, or consent decrees, or (d) any other actions taken that provide estimates.

The file structure is unchanged from the prior year. For each site, the following information is required:

Bureau (column a).

Facility name (column b), city (column c), and state (column d).

Total future liability if known, or probable and reasonably estimable (column e). A range of potential estimated liability may be stated by entering the lower limit of the range (in column e-1) and the upper limit (in column e-2). Please do not enter data in column e-2 for sites where liability has been determined or the estimated liability to be disclosed is a discrete amount rather than a range.



Estimated cost of study if total future liability is not known or reasonably estimable (column f).

Dollar amount or cost of study for sites where the fact of liability has been determined. (column g). This total is the recognized liability.

Legal status code (column h).

“I” for In Litigation.

“L” for Department Liable for Cleanup Costs, i.e., Government-related events where the Department/bureau is liable for cleanup costs, including events where the Department: (1) caused or contributed to a known or confirmed release of contamination, (2) is legally liable as a result of a court decision or valid administrative order, or (3) has formally agreed to assume all or part of the costs of a cleanup under a legally binding settlement agreement or consent decree.

“N” for Department Not Liable, including Government-acknowledged events that result from a non-federal source where the Department is not liable but chooses to accept financial responsibility for cleanup due to the Government’s broad responsibility to provide for the public’s general welfare.

“S” for Shared Liability where contamination is a Government-related event and other potentially responsible party or parties share the liability.

“T” for To Be Determined for events where a release or contamination and future expenditures are reasonably possible but for which there are no cost estimates and it is to be determined who is liable or will be financially responsible for cleanup.

Reference to explanatory notes, where necessary, which can be presented on a separate page (column I).

Please coordinate with bureau Hazmat Contacts, and add missing sites and make other necessary corrections. If no list was previously provided, please develop a complete list.

Individual bureau files containing F.Y. 2001 data have been placed on the Reston “XA” server, which is used by bureau financial statement preparers to share files with each other and the Department. This location was chosen since its limited access provides additional security. The files named “xxxECL01.XLS” (where “xxx” identifies the bureau) are located at “XA”:\BurInfo\OfclUse and include a blank template, named XxxECL.02. Financial Statement Guidance Team members are asked to remove their bureau’s F.Y. 2001 file from this location and provide them to the personnel responsible for completing the response. This information is sensitive and for internal Departmental use only, and the list is considered a deliberative document. It should not be released outside the bureau



without coordination with PFM and the Office of the Solicitor (OS). Please DO NOT photocopy the list unless the copies are accounted for and/or destroyed.

Please place the new or revised file (i.e., F.Y. 2002 data), renamed “xxxECL02.XLS” (where “xxx” identifies the bureau), onto the “XA” drive by October 15, 2002, to reflect the final environmental liability information as of September 30, 2002. Again those files are considered to be deliberative documents and should not be distributed outside the Department. If you have any questions, please call Eric Eisenstein on (202) 208-4701. Thank you for your participation in this important effort.

cc: Director, Office of Environmental Policy and Compliance
Deputy Chief Financial Officers
Bureau Finance Officers
Financial Statement Guidance Team



Appendix G: Posting of Post Close Adjustments to the Core Financial Systems

1. Proposal for Use of Accounting Period (AP) 00 for CFO adjustments (Prepared by participants of the Solomon's Island FY 2000 Financial Statement Workshop)

Background

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/ABACIS) 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. Based on recommendations from the Solomon's Island Workshop in 2000 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 accounting period 00 causes a charge 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 go 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.)

Benefits from Re-open AP 00 and make all CFO adjustments to the beginning balance.

The benefits of using this approach are that:

- No reconciliation 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 to maintain the accuracy 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 FY 1999

| | |
|------|---------------------|
| 610A | Operating Expenses |
| 2110 | Accounts Payable |
| 4801 | Undelivered Orders |
| 4901 | Unpaid Expenditures |

Accounting Period AP 00 adjustment entered at high level (Bureau) FY 2000

| | |
|------|---------------------|
| 331A | Equity |
| 2110 | Accounts Payable |
| 4801 | Undelivered Orders |
| 4901 | Unpaid Expenditures |

Back out during regular business at high level (Bureau) FY 2000

| | |
|------|---------------------|
| 2110 | Accounts Payable |
| 610A | Operating Expenses |
| 4901 | Unpaid Expenditures |
| 4801 | Undelivered Orders |

Actual payment voucher entered to cost accounts (program) during regular business FY 2000

| | |
|------|---------------------|
| 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.

2. Another Bureau's Approach

The Bureau chose to close period 14, then uploaded the data into Hyperion Enterprise and provided the auditors a Summary Trial Balance. The Bureau then opened period 15 and



input all new entries into both Hyperion Enterprise and in FFS (they ran parallel). The Bureau ran daily Summary Trial Balance to ensure that both stayed in-sync. When all entries were input into both systems and all balances matched, FFS was then closed. The beginning balances in FFS matched Hyperion Enterprise beginning balances without any adjustments.

The auditors were provided copies of all the entries entered in period 15. The Bureau was able to reverse all the entries that needed to be reversed without any problems.



Appendix H: CFO Financial Statement Analytic Relationships

The following are bureau's suggested analysis of FY 2002 CFO Financial Statements Relationships. These relationships were taken from a combination of OMB Form and Content (01-09), Treasury crosswalks for '02 reporting (T/L S2-02-01) and comments from KPMG.

A. Balance Sheet:

- Accounts receivable with the public, net (plus your allowance for doubtful accounts) should tie to the Schedule 9, Part 1, Sec. A, Line 7 (A/R 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 PP&E 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 Statement of Financing
- Difference between FY's for Loans – Public, Net should agree to Change in Loans Receivable on the Statement of Financing
- 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 Statement of Financing
- Current year (CY) Unexpended appropriations ties to ending balance on Changes in Net Position
- CY Cumulative Results of Operations ties to ending balance on Changes in Net Position
- Prior year (PY) unexpended appropriations and cumulative results ties to beginning balance on Changes in Net Position

B. Net Cost:

- For FY 2002 reporting, 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 level of detail DOI chooses to display on statement)



- Net Cost of Operations must agree to the same line item reported on the Statement of Changes in Net Position

C. Changes in Net Position:

- Appropriations Received should match corresponding line item (line 1a) on 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 on the Statement of Budgetary Resources line 6 “Permanently not Available”
- Individual line items under the “Other Financing Sources” section should tie to the Statement of Financing:
 - b. Donations and Forfeitures of Property
 - c. Transfers-in/out w/o Reimbursement
 - d. Imputed Financing
 - e. 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. Budgetary Resources:

- Spending Authority from Offsetting Collection and Recoveries (lines 3 & 4) should equal Statement of Financing line 2.
- Obligations Incurred (line 8) should tie to same line on Statement of Financing (line 1)
- Offsetting Receipts (line 16) must agree with Statement of Financing line 4 (same title). Amounts should equal deposits reported to Treasury on SFs 224, 1219 and 1220. Exclude amounts related to the change in receivables. Revenue collected and distributed in offsetting receipt accounts only.
- All anticipated resources should be zero for year-end reporting

E. Statement of Financing:

- Verify that the line items on this statement 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 Statement of Financing 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.

**Appendix I: List of Hyperion Reports****HQ_CHECK Report Set**

| Report Title | Description |
|---------------------------|---|
| TB 4 | Trial Balance Report by SGL Account |
| TB NG | Trial Balance Report by SGL Account with N/G Indicators |
| ZERO_BAL ⁽¹⁾ | Total Assets, Liabilities & Net Position for all Base Level Names Under Selected Entity |
| ZERO_ENT ⁽¹⁾ | Total Assets, Liabilities & Net Position for all Summary & Base Level Names Under Selected Entity |
| ZERO_SUM ⁽¹⁾ | Total Assets, Liabilities & Net Position for all Summary Names Under Selected Entity |
| ORG_TOTS ⁽¹⁾ | Total Assets, Liabilities & Net Position for each Organization Structure, used to check Consolidated Organization Structures |
| “BUR”_TOTS ⁽¹⁾ | Total Assets, Liabilities & Net Position by Category for each Organization Structure in Bureau, used to check bureau Organization Structure |

⁽¹⁾ These reports are Point of View driven.

**Appendix J: Stewardship Assets Data Request**

Memorandum

To: Bureau Chief Financial Officers
Museum Program Executive Committee

From: R. Schuyler Leshner
Deputy Chief Financial Officer

Debra E. Sonderman, Director
Office of Acquisition and Property Management

Subject: COMBINED DATA CALL FOR:

1. Bureau Museum Property Management Summary Report for FY2002
2. Museum Program Performance Data for GPRRA Performance Goals
3. Museum Property Accountability Contacts
4. Stewardship Assets Data for Interior's Accountability Report for FY2002

Reply due: September 15, 2002 (November 15 for limited data unavailable prior to year-end)

Under the Reports Consolidation Act, federal agencies are required to prepare annual Accountability Reports. These reports are intended to communicate clear and concise information about the financial and operating performance of the agency, as well as the agency's stewardship over assets and resources entrusted to it. Accordingly, in addition to traditional financial statements and overview information, the Accountability Report must contain a specific section addressing the agency's management of its Stewardship Assets. The Federal Accounting Standards Advisory Board (FASAB) promulgated standards for supplementary stewardship reporting, which became effective for FY 1998 and thereafter.

The Office of Acquisition and Property Management (PAM) will prepare the museum and Native American Graves Protection and Repatriation Act (NAGPRA) portions of the Stewardship report, and the Office of Financial Management (PFM) will prepare all remaining required supplemental stewardship information for the Department.

Our target for completing the Department's Accountability Report for FY 2002 requires that you submit available numbers and interpretive text that can be written early by

September 15, 2002, and that you submit any remaining data, such as numbers that will not be available until after the end of the fiscal year, by **November 15, 2002**. Because of the inter-related nature of stewardship assets data, museum property, NAGPRA data, and GPRRA baselines, we are combining the calls for all four sets of inter-related data into one. These data will support preparation of reports to Congress, including the Departmental Report on Accountability for FY 2002, Supplemental Stewardship Reporting, and reports on certain



performance measures included in the Department's strategic plan. They will also support the management control processes regarding material weaknesses and will fulfill bureau annual reporting requirements on museum property management.

Bureau Museum Property Management Summary Report for FY 2002

Departmentwide data on Interior's museum collections are collected in the "Bureau Museum Property Management Summary Report" submitted to PAM. Required content for this report is outlined in Part 411 of the Departmental Manual (411 DM2.3B; Attachment 1). Please ensure that the prescribed format is used for reporting the number, disciplines, and locations of bureau museum property. Unfortunately, the January 30 submission date of this report listed in 411 DM does not meet current requirements for the Departmental Accountability Report. The due date for data for the FY 2002 report is **September 15, 2002**. Any final data not available by that date must be provided as soon as possible but no later than **November 15, 2002**.

The Departmental Report on Accountability for FY 2002 will include summary data and discussion of accomplishments in meeting NAGPRA responsibilities. NAGPRA items are among the most sensitive objects in museum collections and are, therefore, among the priorities identified in Departmental policy [411 DM 2.1A(2)]. Please include the following bureau NAGPRA data in conjunction with your Bureau Museum Property Management Summary Report:

- Total funds expended on NAGPRA compliance activities during FY2002, including costs associated with consultation with tribes, repatriation, and accommodation of concerns identified in consultation with tribes; indicate if this amount is included in the total provided for museum property activities, or if the NAGPRA amount is in addition to museum program expenditures;
- Total number (for all years) of "notices of inventory completion" and/or "notices of intent to repatriate" that your bureau has submitted for publication in the Federal Register, and the total numbers of human remains, funerary objects, sacred objects, and objects of cultural patrimony included in the notices; and
- Briefly discuss current issues, recent accomplishments, and/or next steps related to bureau NAGPRA compliance.

In addition, the Bureau Museum Property Management Summary should include data for GPRA reporting and museum contacts.

GPRA Data on Museum Property

The Department's Strategic Plan includes this goal: "Increase the ability of the public to access information about museum and cultural resources and artifacts." The performance measures for FY 2002 are:



- **Number of museum collection objects cataloged.** Report the number of objects cataloged in bureau collections at all locations. Report the total number of objects separately for those collections in bureau facilities and in non-federal facilities.
- **Attendance at locations exhibiting cultural and museum objects.** Each bureau should report attendance at the same units used to establish the 1998 baseline. The same units will be tracked in future years to monitor trends.

Museum Property Accountability Contacts

The Bureau Museum Property Management Summary Report must include the number of bureau locations that hold bureau museum property and the number of other facilities that hold museum property for the bureau. For each of the locations counted, please provide the name, address, telephone number, and Internet address for each custodial and accountable officer responsible for the museum property housed at the locations listed. This request originated in discussions with the Interior Museum Property Committee and was recommended as a means to facilitate communication among museum property managers.

Stewardship Assets Data for the Accountability Report for FY 2002

Data submitted in response to this call will be the basis for compiling required supplemental stewardship information that will be reported in the Stewardship Assets section of the Departmental Report on Accountability for FY 2002. Each bureau should submit the requested information by **September 15, 2002**. Very limited data may be submitted after the end of the fiscal year only if those data are unobtainable prior to the end of the fiscal year. Any final data not available by **September 15** must be provided as soon as possible, but no later than **November 15, 2002**. Any data not available should be identified in the November 15 submission with a reason for its unavailability and when the data will be available.

Stewardship Assets, in this context, include “Stewardship Land” and “Heritage Assets” intended to be maintained in perpetuity for the benefit of future generations.

Stewardship Land is defined as land owned by the Federal government and not acquired for or in connection with other property, plant, and equipment.

Heritage Assets are defined as property, plant, and equipment of historical, natural, cultural, educational, artistic, or architectural significance. At Interior, heritage assets include such things as historic buildings, monuments, and museum collections. Library collections should be reported only if they are “special collections” intended for preservation in perpetuity. Typical circulating libraries should not be reported.

Certain assets, such as National Parks, are reported both as acres of stewardship land and as heritage assets.



Stewardship Land and Heritage Assets

The following are reporting requirements for stewardship land and heritage assets:

Stewardship Land should be reported consistent with the reporting for FY 2001 (pages 178-182). The FY 2001 Accountability Report is available at <http://www.doi.gov/pfm/acctrpt2001>.

Interpretive text for this section is anticipated to remain relatively stable; however, updates should be made as necessary. Information should be provided for all categories listed in Figure 36 (page 180); totals should be provided for the number of units, federal acreage, non-federal acreage, and miles (i.e., rivers, trails, etc.).

FASAB standards require that the following information be reported for *Heritage Assets* (pages 183-192):

- Description of each major category of heritage asset.
- The number of physical units at year-end and the number of units added and/or withdrawn from the heritage asset records during the year for each type of heritage asset. Examples include collections such as museum collections, and non-collections such as parks, memorials, monuments, and buildings.
- Description of the methods of acquisition and withdrawal of heritage assets.
- Condition of the assets and an estimate of any deferred maintenance related to the assets.

To compile as complete a report as possible, information should be provided on all Heritage Assets that are managed by the bureau. The data should be as current as possible, given the constraints of the reporting schedule. Data are currently divided into the following major categories:

Stewardship Lands

Natural Heritage Assets

National Wilderness Preservation System
National Wild and Scenic Rivers
National Natural Landmarks
Paleontological Sites

Cultural Heritage Assets

Historical Structures
National Register of Historic Places



National Historic Landmarks
Cultural Landscapes
Archeological Sites
World Heritage Sites
Museum Collections
Library Collections

Investments

The Statement of Federal Financial Accounting Standards (SFFAS) # 8 requires investment information (pages 193-194). “Stewardship Investments” are substantial investments made by the federal government for the benefit of the nation. Such investments will be measured in terms of expenses incurred for certain education and training programs; federally financed research and development; and federally financed but not federally owned property, such as bridges and roads. Each bureau must provide the required information or a negative. Investments to be included in the Stewardship Section consist of Research and Development, Human Capital, and Non-Federal Physical Property. Also, for investments in research and development and human capital, please provide information on the outcomes or at least the outputs, of the programs.

Deferred Maintenance

Deferred maintenance is maintenance that was not performed when it should have been or was scheduled to be performed and which, therefore, was put off or delayed for a future period. If applicable to stewardship assets in your bureau, please ensure that the information on deferred maintenance of stewardship assets (Figure 30) is consistent with the bureau’s overall deferred maintenance information, and that data on deferred maintenance of stewardship assets are distinguishable from deferred maintenance of general property, plant, and equipment. For additional guidance on deferred maintenance see Chapter 2, Appendix C, of the FY 2002 Financial Statement Preparation Guidance.

Updating FY 2001 Stewardship and Related Information

Several of the tables in the FY 2002 Report will be located on **PFM’s XA** drive for input of required data by bureaus. The following tables will be placed on the XA drive:

- **Table 1** - Management Units of Interior Stewardship Lands (BLM, FWS, NPS, and BOR)
- **Table 2** - Type and Condition of Bureau of Land Management Public Land (BLM only)
- **Table 3** – Net Change in Stewardship Land (BLM, FWS, NPS, and BOR)
- **Table 4** – National Wilderness Preservation System – Percentage by Bureau (BLM, FWS, and NPS) -- percentages will be calculated by PFM
- **Table 5** – Wild and Scenic Rivers Management (NPS, BLM, FWS)
- **Table 6** – Investment in Research and Development (USGS)



- **Table 7** – Investment in Human Capital (BIA, BOR, FWS, and NPS)
- **Table 8** – Insular Area Capital Investment (OS)
- **Table 9** – Estimated Deferred Maintenance (BIA, BLM, BOR, FWS, NPS, USGS, and other bureaus, if appropriate)

Bureaus are requested to have completed input of data to the tables on the XA drive by no later than September 15, 2002.

The Stewardship section of the Departmental Accountability Report is an excellent opportunity to highlight bureau accomplishments in managing stewardship assets by using interesting graphics, photographs (and accompanying captions), and/or information that would serve to concisely convey the significance of these resources to the American people.

Bureaus with Heritage Assets will include a similar Stewardship Assets section in the Bureau Annual Report. The data presented in the Departmental Accountability Report and Bureau Report **must be** consistent. Any narrative comments that bureaus would like included in the Stewardship section should be e-mailed to the contacts listed below.

Designation of Contact Point

To assist with the collection and consolidation of the Stewardship materials, each bureau is requested to designate a contact point for the information requested. If necessary, bureaus may designate more than one individual for the different functions (i.e., stewardship, museum, investments, etc.). Information regarding the contact point should be e-mailed to the above contacts no later than **September 1, 2002**.

Questions/comments concerning this data call should be directed to:

Stewardship Assets and Investments:

Deborah_L_Smith@ios.doi.gov and Charlene_Hutchinson@ios.doi.gov

Museum Property Management and NAGPRA:

rowilson@os.doi.gov

If you have questions, please contact Charlene Hutchinson, PFM, on 202-208-3964, Debbie Smith, PFM, on 202-208-3250, or Ronald C. Wilson, PAM, on 202-208-3438.

cc: Deputy Chief Financial Officers
Interior Museum Property Committee
Bureau Finance Officers
Bureau Federal Preservation Officers
Bureau Management Control Coordinators
Property Management Partnership

**Appendix K: Budget Sub-Function Codes**

| Code | Name |
|-------------|---|
| 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 |



| Code | Name |
|-------------|---|
| 554 | Consumer and Occupational Health and Safety |
| 571 | Medicare |
| 601 | General Retirement and Disability Insurance (Excluding 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 |
| 902 | Interest Received by On-Budget Trust Funds |
| 903 | Interest Received by Off-Budget Trust Funds |
| 908 | Other Interest |
| 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 |

**Appendix L: Fund Type Codes**

| Fund Type | Description |
|------------------|---|
| 1 | General Fund |
| 2 | Special Fund |
| 3 | Public Enterprise Fund |
| 4 | Intra-governmental Revolving or Management 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 | Loan – Liquidating Account |



Appendix M: Master Appropriation File (MAF) Data Verification Request

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 |
|----------------------|---------------|---------------|---------|---------|-------------------|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Fax Verification Form to Donna McKethan on (202) 208-6940 no later than close of business September 18, 2002.

Appendix N: FACTS II Key Milestones

**Fourth Quarter Pre-production**

| | |
|--|------------------|
| Verify Treasury Fund Symbols (TFS) to be reported by each preparer | October 1, 2002 |
| Budget staff identifies budgetary attributes for each TFS | October 15, 2002 |
| Finance staff identifies SGL accounts and attributes for each TFS | October 15, 2002 |
| Test computer access to FACTS II using SecurID Cards | October 18, 2002 |
| Submit data to FACTS II | October 21, 2002 |

Fourth Quarter Production

| | |
|---|------------------|
| Data prepared, reviewed, and certified | November 8, 2002 |
| Reconcile fourth quarter FACTS II data with Hyperion database | November 8, 2002 |
| Reconcile Treasury Fund Symbols reported with MAT | November 8, 2002 |
| Adjust fourth quarter data | January 30, 2003 |

**Appendix O: FACTS II Points of Contact**

| Name | Responsibility/Office | Phone Number | Email Address |
|---------------|--------------------------------|---------------------|--|
| Jeff Hoge | Treasury Functional Expert | (202) 874-6179 | Jeffrey.hoge@fms.treas.gov |
| Keith Stith | FACTS II Project Lead | (202) 874-9691 | keith.stith@fms.treas.gov |
| Kathy Wages | FACTS II Administration | (202) 874-9891 | kathy.wages@fms.treas.gov |
| Joseph Wang | FACTS II Administration | (202) 874-9885 | joseph.wang@fms.treas.gov |
| Tajuan Brown | FACTS II System | (202) 874-3839 | tajuan.brown@fms.treas.gov |
| Andrea Cherry | PC Set Up and Connection | (202) 874-6371 | Andrea.cherry@fms.treas.gov |
| Judy Yuran | U.S. Government SGL | (202) 874-6308 | Judy.yuran@fms.treas.gov |
| Phil Daniels | Office of Financial Management | (202) 208-5225 | Philip_daniels@os.doi.gov |
| Judy Thomas | Office of Budget | (202) 208-6690 | Judy_thomas@os.doi.gov |

**Appendix P: Management Representation Letter**

Memorandum

To: Bureau Heads
Bureau Chief Financial Officers

From: Assistant Secretary
Policy, Management and Budget

Subject: Management Representation for the Department of the Interior (DOI)
Fiscal Year 2002 Financial Statements

The Department and bureau financial statements for the year ending September 30, 2002 are currently being audited. During the audit of your bureau's fiscal year 2002 financial information, your bureau is making certain representations to the auditors. Since I must make similar representations to the auditors and the Inspector General in relation to the consolidated financial statements of the Department, it is necessary that you send me a signed copy of representations made with respect to your bureau and that these representations cover all matters relevant to the Departmental report. You should follow the content and format of the attached sample letter.

Accordingly, no later than November 29, 2002, or the end-of-field-work date expected by the Office of Financial Management (PFM) and the auditors, please prepare a letter addressed to the KPMG senior auditor and the Inspector General, with a copy to me and PFM, in which you confirm that the following representations are accurate and complete with respect to your bureau's financial information to the best of your knowledge and belief as of the date of completion of audit field work. The date of the letter should be determined through discussion with the bureau audit team. These representations should cover the bureau's balance sheet, as of September 30, 2002, and the related statements of net cost of operations, changes in net position, budgetary resources, financing and custodial activity for the fiscal year then ended and other information presented in the Departmental Report. These representations update those provided the OIG in conjunction with the audit of the financial statements as of and for the year ended September 30, 2001. When certain representations are described as being limited to matters that are material, please consider the definition of materiality contained in the attached illustrative management representation letter.

If you are unable to provide a representation exactly as set forth in the attached sample letter, please contact R. Schuyler Leshner, PFM, at (202) 208-4701 to discuss the language that you desire. Exceptions to the below representations must be clearly identified in your letter. Please consult with the on-site auditors to determine whether additional bureau representations may be required. For your convenience, an electronic version of this letter will be available to your financial statement preparation representative. Thank you for your assistance.



Attachment

MODEL FY 2001 MANAGEMENT REPRESENTATION LETTER

(Letter Head)

(Date)

{last day of field work and audit report date – to be provided by KPMG}

Jeff Norris
KPMG LLP
2001 M Street, N.W.
Washington, D.C. 20036

Earl Devaney
Inspector General
Department of the Interior
Washington, D.C. 20240

Subject: Management Representation for [Bureau/Office (Entity)] FY 2002 Financial Statements

We are providing this letter in connection with KPMG's audit of the (Entity)'s balance sheets, and the related statements of net cost, changes in net position, budgetary resources, financing and custodial activities (*if applicable*) (hereinafter referred to as "financial statements") as of September 30, 2002, and for the year then ended as well as fiscal year 2001 comparative financial statements. We understand that the audit was conducted for the purposes of (1) expressing an opinion as to whether these financial statements present fairly, in all material respects, the financial position of the (Entity) as of September 30, 2002 and 2001, and its net costs, changes in net position, budgetary resources, reconciliation of net costs to budgetary obligations and custodial activities (*if applicable*) for the years then ended, in conformity with accounting principles generally accepted in the United States of America, and (2) reporting whether the Department's financial management systems substantially comply with Federal financial management system requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level, as of September 30, 2002 and 2001. In addition, you have performed certain procedures with respect to the Department's Management Discussion and Analysis, Required Supplementary Information (RSI), and Required Supplementary Stewardship Information (RSSI), which are included in the (Entity)'s FY 2002 Annual Report.

We confirm that we are responsible for the fair presentation of the financial statements and performance results of the Department, in conformity with accounting principles generally



accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

In connection with the audit of the financial statements as of September 30, 2002 and 2001, and for the year then ended, we confirm, to the best of our knowledge and belief, the following representations made to you during your audit and with respect to the Management's Discussion and Analysis, RSI and RSSI sections of the DOI's Annual Report. These representations update the representations we provided in conjunction with the audit of the financial statements as of and for the year ended September 30, 2001.

1. The financial statements are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. The financial statements, RSI, and RSSI of the Department are fairly presented in accordance with the Office of Management and Budget (OMB) requirements and in conformity with accounting principles generally accepted in the United States of America.
3. We have made available to you:
 - a. All financial records and related data.
 - b. All Entity performance measurement records.
 - c. If applicable, communications from OMB concerning noncompliance with or deficiencies in financial reporting practices.
4. The Entity is responsible for the identification of and compliance with all aspects of applicable laws, regulations, contracts, or grants that could have a direct and material effect on the financial statements in the event of noncompliance and has disclosed those aspects of laws, regulations, contracts, or grants to you.
5. The Entity has complied, in all material respects, with applicable laws, regulations, and contracts that could have a material effect on the financial statements in the event of noncompliance.
6. The Entity is responsible for establishing and maintaining internal control.
7. There have been no:
 - a. Instances of fraud (intentional misstatements or omissions of amounts or disclosures in the



- financial statements or performance results, or misappropriation of assets involving management or employees who have significant roles in internal control.
- b. Instances of fraud involving others (e.g., recipients of Federal financial assistance or other Federal payments) that could have a material effect on the financial statements or performance results.
 - c. Communications from other governmental entities or agencies (e.g., the U.S. Treasury) thereof concerning noncompliance with, or deficiencies in, financial accounting or reporting practices.
 - d. Communications from regulatory or oversight agencies such as the OMB and the General Accounting Office (GAO) - concerning noncompliance with, or deficiencies in, reporting practices that could have a material effect on the reported performance measures.
 - e. Except for unresolved recommendations in prior Office of the Inspector General and the GAO audit reports, which have been considered in preparing the financial statements, and those items noted in the drafts of the Independent Auditors' Report on Internal Control over Financial Reporting and the Independent Auditors' Report on Compliance with Laws and Regulations, there were no violations, or possible violations, of laws or regulations whose effect should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - f. Violations or possible violations of specific requirements of contracts, grants and budgetary procedures, the effects of which should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - g. Allegations, either written or oral, of misstatements or other misapplications of accounting principles that could have a material effect on the Entity's financial statements that have not been disclosed to you in writing.
 - h. Allegations, either written or oral, of deficiencies in internal control that could have a material effect on the Entity's financial statements that have not been disclosed to you in writing.
 - i. False statements affecting the Entity's financial statements made to you, our OIG, or other auditors who have audited entities under our control upon whose work you may be relying in connection with your audits.
8. There are no:
- a. Unasserted claims or assessments that our Office of the Solicitor or the Department of Justice as advised us are probable of assertion and must be disclosed in accordance with the Statement of Federal Financial Accounting Standards No. 5, *Accounting for Liabilities* (as amended), that have not been disclosed.



- b. Other liabilities or gain or loss contingencies (including oral and written guarantees) that have not been accrued or disclosed that are required to be accrued or disclosed by the Statement of Federal Financial Accounting Standards No. 5, *Accounting for Liabilities* (as amended).
 - c. Material transactions (e.g., obligations or commitments) or events that have not been properly recorded in the accounting records underlying the financial statements or reported performance measures, or disclosed in the notes to the financial statements.
 - d. Events that have occurred subsequent to September 30, 2002, and through the date of this letter, that would require adjustments to or disclosure in the financial statements, the financial statement footnotes, the RSSI, or in the Management's Discussion and Analysis of the Entity.
 - e. Purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.
 - f. Material amounts of obsolete, damaged, or unusable items included in inventories at greater than their estimated net realizable value.
 - g. Agreements to repurchase assets previously sold including sales with recourse.
 - h. Joint ventures.
 - i. Guarantees, whether written or oral, under which the Entity is contingently liable.
 - j. Commitments for purchases or sales of services or assets at prices involving material probable losses.
 - k. Losses to be sustained as a result of other than temporary declines in the fair value of investments.
 - l. Losses to be sustained in the fulfillment of, or from the inability to fulfill, any sales commitments.
9. Except as disclosed in the financial statements, the Entity has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
10. Inventories and materials are stated at historical cost in accordance with Statement of Federal Financial Accounting Standard Number 3, except where valuation at net realizable value is authorized by the Standard, as in the case of excess, obsolete, or unserviceable items that management has determined have permanently declined in value below cost or are damaged.

When feasible, physical counts and measurements of inventories and operating materials were made and records were appropriately adjusted to reflect the physical inventories.



11. We have satisfactory title to all owned assets, including stewardship property, plant and equipment, and there are no liens or encumbrances on such assets nor have any assets been pledged as collateral.
12. We have properly accounted for all property, plant and equipment sold, destroyed, abandoned, or considered to be obsolete and have no further use.
13. All capital assets are properly categorized as either work-in-progress or completed projects as required in Entity policy.
14. We have performed procedures necessary to estimate deferred maintenance reported in the disclosure required by Statement of Federal Financial Accounting Standard Number 6, *Accounting for Property, Plant, and Equipment* (as amended).
15. The Department administers approximately four hundred million acres of real property, with title held in the name of the United States, that is not considered an asset for purposes of this letter. This includes, but is not limited to, lands within the National Park System, National Wildlife Refuge System, Public Lands, and other Federal Lands and interests in land. Accordingly, except as disclosed in the “notes to the financial statements,” we, either in our name or that of the United States, as appropriate, hold satisfactory title to the assets that we own or administer, and there are no material liens or encumbrances on such assets inconsistent with such Federal ownership interest.
16. All intra-agency transactions and balances have been appropriately identified, eliminated, or disclosed for financial reporting purposes, unless otherwise noted. All intra-governmental transactions and balances have been appropriately recorded, reported and disclosed. We did not reconcile intra-governmental assets, liability, revenue and cost amounts with our trading partners, as required by OMB Bulletin No. 01-09, because our trading partners did not provide information by Interior component or Treasury Fund Symbol.
17. Except as disclosed in the notes to the financial statements, the information presented on the Entity’s statement of budgetary resources agrees with the information submitted on the Entity’s final “Report on Budget Execution and Budgetary Resources (SF-133)” which will be used as input for the actual column for fiscal year 2002 in the fiscal year 2004 President’s Budget Program and Financing Schedule. Such information is supported by the related financial records and related data.
18. Provisions have been made:
 - a. To reduce excess, obsolete, damaged, or unusable inventories to their estimated net realizable value.
 - b. For any material adjustments of long-lived assets as a result of permanent impairment, in accordance with SFFAS No. 6, *Accounting for Property, Plant and Equipment* (as amended).



19. Receivables reported in the financial statements represent valid claims for sales or other charges arising on or before the balance sheet date, and have been appropriately reduced to their estimated fair value.
20. Related party transactions, such as those involving other federal agencies and non-federal entities, and related accounts receivable or payable, including revenues, expenditures, loans transfers, leasing arrangements, assessments and guarantees have been properly recorded and disclosed in the financial statements.
21. The Entity has properly identified its reporting entity as defined by OMB Bulletin No. 01-09. All entities included in the Entity's financial statements are under the direct control of the Entity.
22. The Entity has presented all required supplementary information and required supplementary stewardship information in its financial statements. This information has been prepared on a basis consistent with the amounts included within the financial statements and the notes to the financial statements.
23. During the years ended September 30, 2002 and 2001, the Department did not exceed its Congressionally approved budgetary authorities.
24. All significant estimates, uncertainties, and material concentrations of risk (e.g., geographic, industry) known to management have been properly disclosed in the financial statements.
25. All sales transactions entered into by the Entity are final and there are no side agreements with customers, or other terms in effect, which allow for the return of merchandise, except for defectiveness or other conditions covered by the usual and customary warranties. There are no material losses to be sustained in the fulfillment of, or from the inability to fulfill any sales commitments.
26. We believe that the actuarial assumptions and methods used to measure actuarial liabilities and costs for financial accounting purposes are appropriate in the circumstances.
27. Costs have been recorded in accordance with the Statement of Federal Financial Accounting Standard Number 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*. Indirect costs were allocated to responsibility segments in an equitable manner.
28. Pursuant to the Federal Managers Financial Integrity Act, we have assessed the effectiveness of the Entity's internal control in achieving the following objectives:
 - a. Reliability of financial reporting – transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements, the required supplementary information and the required supplementary stewardship information in accordance with accounting principles generally accepted in the United States of America,



- and the safeguarding of assets against loss from unauthorized acquisition, use, or disposition.
- b. Compliance with applicable laws and regulations - transactions are executed in accordance with: (i) laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, and (ii) any other laws and regulations and government-wide policies that the OMB, Entity management, or the OIG has identified as being significant for which compliance can be objectively measured and evaluated; and
 - c. Reliability of performance reporting - transactions and other data that support reported performance measures are properly recorded, processed and summarized to permit the preparation of performance information in accordance with criteria stated by management.
29. Except as disclosed in the Independent Auditors' Report on Internal Control over Financial Reporting, all internal controls are operated in accordance with applicable policies and procedures and are effective in meeting the forgoing objectives set forth in OMB Bulletin No. 01-02.
30. We are responsible for implementing and maintaining financial management systems that comply substantially with Federal financial management systems requirements contained in OMB Circular A-127, "Financial Management Systems" applicable Federal accounting standards, and the United States Standard General Ledger at the transaction level.
31. We have assessed the financial management systems to determine whether they comply substantially with these Federal financial management systems requirements. Our assessment was based on guidance issued by OMB.
32. We have provided background and detailed cost information for all environmental liabilities identified to date, as well as information regarding pending, threatened, or unasserted claims related to the environmental project sites identified. Provisions have been made for any material loss that is probable from remedial liabilities associated with DOI-owned properties. We believe that such estimates are reasonable based on available information and that the liabilities and related loss contingencies and the expected outcome of uncertainties have been described adequately in the financial statements and related footnotes.
33. The financial management systems complied substantially with federal financial management systems requirements, accounting standards applicable to federal entities, and the standard general ledger at the transaction level as of September 30, 2002 and 2001.

[If you complied substantially with only one or two of the above elements, this representation should be modified as in the following example:

As of September 30, 2002(and/or 2001), the Bureau's financial management systems comply substantially with [specify which of the three elements has substantial compliance



(e.g., applicable Federal standards and the SGL at the transaction level)], but did not comply substantially with [specify which of the elements lacks substantial compliance (e.g., federal financial management system requirements)] as described below (or in an attachment).]

[If the financial management systems do not comply substantially with any of the three elements, the following paragraph should be used instead:

As of September 30, 2002 (and/or 2001), the Bureau's financial management systems do not comply substantially with the Federal financial management system requirement.

If there is a lack of substantial compliance with one or more of the three requirements, identify herein, or in an attachment, all the facts pertaining to the noncompliance, including the nature and extent of the noncompliance and the primary reason or cause of the noncompliance.

34. We believe that the effects of the unrecorded financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the Entity's financial statements taken as a whole. (ATTACH A SCHEDULE -- OR IF NONE, REMOVE THIS REPRESENTATION.)

Assistant Secretary -
Policy, Management and Budget

Deputy Secretary of the Interior



Chapter 18 References

FASAB: www.fasab.gov

AAPC: www.fasab.gov/aapc

JFMIP: www.jfmip.gov

Main page: www.whitehouse.gov

OMB Bulletin 01-09 "*Form and Content of Agency Financial Statements*":
www.whitehouse.gov/OMB/bulletins/b01-09.html

Treasury Financial Manual Service:
www.fms.treas.gov/SGL.html
www.fms.treas.gov/cfs/dev.html
www.fms.treas.gov/tfm/vol1/v1p2c400.html