



## 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 requires agencies to prepare and publish annual agency-wide financial statements **and to prepare quarterly financial statements.**

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.

**In FY 2002, the Department began preparing a combined Accountability and Performance Report to provide the Office of Management and Budget, Congress and the public with consolidated financial statement data and information on operating performance and management integrity that 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.

**Beginning FY 2004, unaudited quarterly financial statements will be due 21 days after the end of each quarter, and audited financial reports will be due November 15 of each year. Effective in FY 2003, the Department is required to prepare and submit unaudited financial statements on a quarterly basis to OMB no later than 45 days after the end of the reporting period.**

The Department's financial reporting strategy also includes the preparation of bureau annual financial reports, which contain audited financial statements **and quarterly unaudited 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 **combined** the "Annual Performance Report" with



the Accountability Report. All bureau and Departmental performance measures **are** included in the Departmental Annual Report on Performance and Accountability. Information on all performance measures **is** presented in the “Other Accompanying Information” section of the Report. In addition, information on selected measures **is** presented in the Management Discussion and Analysis section. The Bureaus must ensure that performance data is made available for the Departmental Annual Report on Performance and Accountability by submitting this data in a timely manner through the Office of Planning and Performance Management (PPP). **PPP will issue specific guidance related to the collection of performance information.**

## 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 **2003** Consolidated Financial Statements by the **November 15th** due date, audit fieldwork on the bureau financial statements and footnotes must be completed by **October 31, 2003**. This necessitates that the year-end close take place by **October 8, 2003**, and draft financial report be provided to the auditors by **October 17, 2003**. **In addition, this can only be accomplished if reliable quarterly data is available for interim audit procedures.**

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 **are expected to** work with the auditors prior to year end to identify any issues that might delay the audit **and to proactively discuss data issues with the auditors**. **In addition, financial statements, footnotes, overview material, and supplemental data should be prepared as of the third quarter.**

### 2. ***Financial Statements***

Office of Management and Budget (OMB) Bulletin No. 01-09, “*Form and Content of Agency Financial Statements*,” requires the presentation of the statements listed 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 such comparative statements for their own analysis in order to identify large changes in balances.

Additionally, all statements are presented on a consolidated basis except (e) **below, which is presented as combined.**

- a. Balance Sheet: Presents, as 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. **Quarterly reports should illustrate the intended year-end presentation.**

- The Chart of Accounts and financial crosswalks can be obtained by referring to the appropriate reports. Contact Debra Carey for assistance.
- Standard formats for each one of these statements have been drafted and must be used by all bureaus.**
- Bureaus are not expected to recreate these crosswalks, as the data is



available in Hyperion.

- ❑ Hyperion Retrieve reports should have an identifiable name and should be saved in a place that the Auditors can locate. **Standard file name is “FY03\_BUR\_Statement Name.xls”**

3. **Quarterly Process**

- Quarterly data beginning with **the 1<sup>st</sup> quarter** of **FY 2003** is required.
- Load quarterly trial balance data into Hyperion Enterprise Application.
- Prepare a complete set of unadjusted financial statements.
- Send financial statements, analysis and reconciliation results to Bureau CFO and PFM.

a. Monthly and Quarterly Financial Statements Schedule

<b>Bureaus</b>	
Last day of month	Enter all receivables, payables, accruals, etc. into accounting system.
10 days after end of month (EOM)	Place quarter intra-departmental elimination data on XA drive and/or in Access.
15 days after EOM	Complete reconciliation of quarterly intra-departmental data.
15 days after EOM	Reconcile subsidiary ledgers to General Ledger control accounts.
15 days after EOM	Load quarter data into Hyperion.
20 days after EOM	Review all suspense accounts and clear unless documented basis.
20 days after EOM	Review and correct vendor tables for trading partner data and attributes.
20 days after EOM	Reconcile cash.
30 days after EOQ	Provide quarterly financial statement line item variance analysis to PFM.
30 days after EOQ	Provide quarterly financial statements to PFM and KPMG.
30 days after EOQ	Receive documented review of undelivered orders.

<b>PFM</b>	
45 days after EOQ	PFM finalize quarterly financial statements and submit to OMB.



b. Quarterly Financial Statement Preparation Procedures

Frequency	Quarterly Tasks	Monthly Tasks
Monthly		<ul style="list-style-type: none"> <li>• Post monthly accruals, including accounts payable, accounts receivable, undelivered orders, etc.</li> <li>• Reconcile monthly intra-departmental activity.</li> <li>• Post entries related to settled litigation, claims and assessments.</li> <li>• Continue routine monthly tasks.</li> </ul>
1 <sup>st</sup> Quarter	<ul style="list-style-type: none"> <li>• Prepare financial statements, excluding Statement of Financing (SOF).</li> <li>• Reconcile intra-departmental activity October through December.</li> <li>• Research, identify, and resolve all outstanding elimination differences related to prior year's data.</li> </ul>	<ul style="list-style-type: none"> <li>• Complete monthly reconciliations, including property, suspense, fund balance, etc.</li> <li>• Post routine entries for depreciation, bad debts, etc.</li> </ul>
2 <sup>nd</sup> Quarter	<ul style="list-style-type: none"> <li>• Prepare all financial statements, including SOF.</li> <li>• Prepare partial set of footnotes, Required Supplementary Information (RSI), and Required Supplementary Stewardship (RSSI) information and footnote data collection schedules. Note – Prepare 50% or more of this data. A list of the exact footnotes to be prepared is presented in Chapter 5: Notes to the Financial Statements.</li> <li>• Verification letter signed by the Bureau Chief Financial Officer (CFO) attesting to the accuracy of March 31 data, completion of reconciliations, eliminations, and accruals, and detailing any exceptions.</li> </ul>	<ul style="list-style-type: none"> <li>• Post monthly accruals, including accounts payable, accounts receivable, undelivered orders, etc.</li> <li>• Reconcile monthly intra-department activity.</li> <li>• Post entries related to settled litigation, claims and assessments.</li> <li>• Continue routine monthly tasks.</li> </ul>



<b>3<sup>rd</sup> Quarter</b>	<ul style="list-style-type: none"><li>• Prepare all financial statements, including SOF.</li><li>• Prepare complete set of footnotes, RSI and RSSI.</li><li>• Verification letter signed by the Bureau Director and CFO attesting to accuracy of June 30 data, completion of reconciliations, eliminations, and accruals, and detailing any exceptions.</li><li>• Receive interim Solicitor's letter and post related adjustments.</li></ul>	<ul style="list-style-type: none"><li>• Continue monthly tasks listed above.</li></ul>
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#### 4. *Year End Process*

- Make detail for eliminations available.
- Complete eliminations data reconciliation.
- Complete final adjustments for elimination entries, Department of Labor (DOL) accrual, Office of Personnel Management (OPM) accrual, legal liabilities and judgment fund liabilities.
- Load trial balance into Hyperion.
- Load final data into Hyperion.
- Submit final annual reports including financial statements to KPMG.

#### 5. *Transmittal of Quarterly and Annual Financial Reports*

PFM must receive unaudited quarterly financial reports by 30 days after the end of the quarter; for example, the first quarter reports are due January 30. In order to deliver the annual financial reports to the Office of Management and Budget by November 15, 2003, PFM must receive the bureau camera-ready annual report and financial statements no later than November 10, 2003.

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
- SFFAS #24: Selected Standards for the Consolidated Financial Report of the  
United States Government**

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 those claims would ultimately be paid by the agency or the Judgment Fund.
- 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
<b>SFFAC #4:</b>	<b>Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government</b>

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. **Statement of Federal Financial Accounting Standards: Preliminary Views on Eliminating the Category Required Supplementary Stewardship Information**
- b. **Statement of Federal Financial Accounting Standards: Eliminating the Category National Defense Property, Plant, and Equipment**
- c. **Questions and Answers to the Homeland Security Act of 2002**
- d. **Proposed Interpretation of Federal Financial Accounting Standards: Accounting for Imputed Intra-Departmental Costs: an Interpretation of SFFAS No. 4**

#### 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 SFFAS #2, "Entity and Display" and statements from OMB, has emphasized that the ultimate objective is that the reporting entity should be complete.

SFFAS # 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. SFFAS #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:** [See Chapter 7: Other Accounting Issues for a complete discussion of Allocation Transfers](#)