



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240



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FINANCIAL MANAGEMENT MEMORANDA 2011- 009 (Vol. II.A)

To: Bureau Assistant Directors for Administration
Bureau Chief Financial Officers

From: Douglas A. Glenn *Edward King*
fn Deputy Chief Financial Officer and Director
Office of Financial Management

Subject: FY 2011 Variance Analysis Requirements

In support of the Fiscal Year (FY) 2011 financial statement audit, Office of Management and Budget (OMB) A-136 requirements, and to facilitate familiarity with recorded financial activity, the Office of Financial Management (PFM) is requesting that all Bureaus prepare individual financial reporting packages. Bureaus are required to submit analysis of the underlying financial data to PFM on a quarterly basis as a component of this package. This analysis includes an explanation of significant financial statement work paper variances.

The Bureaus shall provide variance analysis explanations for the financial statement work papers listed below in accordance with the due dates established in the PFM milestone schedule. Explanations must be provided for line item variances greater than 10% and \$18 million. The explanation threshold of 10% and \$18 million is effective for FY 2011. Examples of the application of this threshold and explanations are provided in Attachment A.

This threshold is calculated using the Bureau median of 1% of net outlays less offsetting receipts from the combining Statement of Budgetary Resources (SBR). The median was chosen to calculate the threshold in lieu of the mean due to the large variation in net outlays among Bureaus. The median represents the middle of a range of numbers and is not influenced by wide differences between the highest and lowest numbers within a range. This calculation shall be performed annually by PFM based on the prior year final SBR and communicated to the Bureaus prior to first quarter reporting in the form of a Financial Management Memoranda.

Applicable Financial Statement Work Papers

Bureaus are to provide explanations to PFM for the following financial statement work paper variances. PFM will consolidate the explanations provided and submit a Departmental analysis to OMB in accordance with OMB Circular A-136, Financial Reporting Requirements. Circular A-136 requires explanations for the following financial statements only: Balance Sheet; Statement of Net Cost; and Statement of Budgetary Resources.

Additional financial statement work paper analysis may be performed at the option of each individual Bureau; submission to PFM is not required. **Additional explanations may also be required by our external auditors in connection with the consolidated financial statement audit.**

Please refer to the 2011 Bureau Financial Statement Folder in the Hyperion Citrix network for the variance analysis template. Bureaus are required to use the prescribed template to post explanations on the shared Hyperion Citrix path in the Bureau financial statement folder for the appropriate reporting period.

Should you have concerns regarding this requirement, feel free to contact Ed King, Acting Deputy Director, at (202) 208-3425 or via e-mail at Ed_King@ios.doi.gov or myself at (202) 208-4701 or via e-mail at Douglas_Glenn@ios.doi.gov.

Attachment

cc: Financial Statement Guidance Team
Finance Officers Partnership

Cancelled FMMs: N/A

Additional FMMs on the Subject: N/A

QUARTERLY VARIANCE ANALYSIS - FY 2011 - EXAMPLE

EXCERPT FROM STANDARD TEMPLATE FOR ILLUSTRATIVE PURPOSES

		Paste Values		Conditional Formatting		
purple text = from HPVAL		FY2011	FY2010	EXPLANATIONS ARE REQUIRED WHEN		
green text = from HPVAL *-1		12/31/10	12/31/09	COLUMNS F&G ARE HIGHLIGHTED		
black text = calculation		HYPERION ENTITY HERE		Variance		
M.CTD		DOI_FACTS	DOI_FACTS	Increase <Decrease>	% Change	Explanation for Line Items Greater than 10% & \$18 million
BALANCE SHEET						
ASSETS						
Intragovernmental Assets:						
Fund Balance with Treasury	FUND_BAL	11,098,418,990	10,268,813,765	829,605,225	8.08%	NO EXPLANATION REQUIRED
Investments	TOT_SEC.G	434,564,512	522,316,984	(87,752,472)	-16.80%	EXPLAIN
Accounts and Interest Receivable	TOT_AR_INT.G	354,044,791	529,238,413	(175,193,622)	-33.10%	EXPLAIN
Loans and Interest Receivable, Net	DOE_REC	3,175,063,445	3,582,356,552	(407,293,107)	-11.37%	EXPLAIN
Other Assets	TOT_ADV_PREPAY.G	647,790	288,278	359,512	124.71%	NO EXPLANATION REQUIRED
Total Intragovernmental Assets		15,062,739,527	14,903,013,991	159,725,536	1.07%	
Cash	CASH_OTHER	0	0	0	--	NO EXPLANATION REQUIRED
Investments	TOT_SEC.N	0	0	0	--	NO EXPLANATION REQUIRED
Accounts and Interest Receivable, Net	TOT_AR_INT.N	58,537,667	64,484,601	(5,946,934)	-9.22%	NO EXPLANATION REQUIRED
Loans and Interest Receivable, Net	LOANS_REC	82,379,005	88,019,093	(5,640,089)	-6.41%	NO EXPLANATION REQUIRED
Inventory and Related Property	TOT_INV	0	0	0	--	NO EXPLANATION REQUIRED
Inventory and Related Property	OP_MAT_SUP	0	0	0	--	NO EXPLANATION REQUIRED
General Property, Plant & Equipment, Net	TOT_PPE	13,593,490,265	13,211,303,298	382,186,967	2.89%	NO EXPLANATION REQUIRED
Other Assets	TOT_ADV_PREPAY.N	139,934,242	78,313,525	61,620,717	78.68%	EXPLAIN
Other Assets	OTH_ASSETS	73,524,694	83,951,394	(10,426,701)	-12.42%	NO EXPLANATION REQUIRED
TOTAL ASSETS		29,010,605,400	28,429,085,902	581,519,498	2.05%	
EXPLANATION EXAMPLES FOR ILLUSTRATIVE PURPOSES						
BEST						
Accounts Payable	TOT_AP.N	21,325,000	42,580,000	(21,255,000)	-49.92%	Decrease is due to PV's disbursed in the current quarter in project 6932 (Project Name) due to the completion of Phase I in FY 2011. The FY 2010 amount included accruals for amounts due.
BETTER						
Accounts Payable	TOT_AP.N	21,325,000	42,580,000	(21,255,000)	-49.92%	Decrease is due to an increase in PV's in project 6932.
POOR						
Accounts Payable	TOT_AP.N	21,325,000	42,580,000	(21,255,000)	-49.92%	Decrease is due to an increase in PV's processed in the current
BEST						
Stewardship Expenses	STEW_ACQ	125,498,763	79,842,156	45,656,607	57.18%	Increase is due to new grant payments disbursed for program XXX. The program is new In FY 2011, there was no similar activity in FY 2010.
BETTER						
Stewardship Expenses	STEW_ACQ	125,498,763	79,842,156	45,656,607	57.18%	Increase is due to grant payments in program XXX.
POOR						
Stewardship Expenses	STEW_ACQ	125,498,763	79,842,156	45,656,607	57.18%	Increase is due to an increase in grant expenses.