

ACCOUNTING PRINCIPLES AND STANDARDS HANDBOOK

CHAPTER 2. BACKGROUNDSection 1.0 Historical Background

The statutory mission of the Department of Commerce (DOC) is "to foster, promote, and develop foreign and domestic commerce, the mining, manufacturing, and fishing industries of the United States" (15 U.S.C. Sec. 1512). Since its establishment in 1903, the Department has been comprised of a variety of organizations, many having entirely unrelated missions and programs (see Exhibit 2-1, DOC Organization Chart). Thus the combination of a wide variety of activities, which are not directly related, presents the Department with a special requirement for a broad range of accounting and related financial management techniques to properly administer the diverse programs for which the Department is responsible.

Section 2.0 Program Summary

The major organizations of the Department are as follows:

- .01 The Office of the Secretary (O/S) provides policy direction and general supervision of the Department. Activities include executive direction and staff assistance in budget, finance, emergency preparedness, information, legal, management and organization, motor vehicle, personnel, procurement, program planning, property, publications, records, safety, security, and space management. The Office of the Inspector General provides independent audit and investigative assistance.
- .02 The National Oceanic and Atmospheric Administration's (NOAA) activities include weather, marine, river and flood forecasts and warnings; earth and marine description, mapping and charting; telecommunications and space disturbance forecasting; and related research. Weather facilities are operated in the United States, at overseas stations and from ships at sea and satellites. Oceanographic and hydrographic survey vessels, aircraft, and a system of magnetic observatories, seismograph stations, tide stations, and related facilities are operated to survey and chart the coastal waters of the United States, produce nautical and aeronautical charts, and process and publish oceanographic and geophysical data. Fisheries management and related research, including ecological

studies, are other important activities of this organization.

- .03 The International Trade Administration (ITA) promotes world trade and works to strengthen the international trade and investment position of the United States. ITA achieves this by staging overseas trade promotions; providing Government, business, and the public timely information on commodity, industry, and marketing developments, both international and domestic; and overseeing Federal participation in U.S. Expositions. ITA's U.S. and Foreign Commercial Service plays an important role in fostering U.S. trade overseas.
- .04 The Bureau of Industry and Security (BIS) directs the Nation's export control policy. Major functions include processing license applications, conducting foreign availability studies to determine when products should be decontrolled, and enforcing U.S. export control laws. BXA also works to assure that international arrangements and business practices are compatible with U.S. business interests and a competitive system.
- .05 The Economics and Statistics Administration provides data and analysis on economic and demographic subjects fundamental to the advancement of the Nation's economy and to the resolution of its social and economic problems. The major components of Economic Affairs are the Bureau of the Census and the Bureau of Economic Analysis.
 - a. The Bureau of the Census conducts periodic censuses on population, housing, agriculture, governments, manufacturing, construction, transportation, mineral industries, and the distribution and service trades. Census publishes this information as well as estimates and projections of trends based on their surveys.
 - b. The Bureau of Economic Analysis (BEA) compiles monthly, quarterly, and annual data of manufacturing and trade output, construction and housing, consumer income, foreign trade, population characteristics, and state and local government employment and financing. National economic accounts are developed and maintained on national income and product, input-output data by industry, balance-of-payments, and regional economic accounts.

- .06 The Technology Administration (TA) helps build the Nation's overall technological capability and assures maximum application of the advances of technology in industry and commerce. The major components of the Technology Administration are the National Institute of Standards and Technology and the National Technical Information Service.
- a. The National Institute of Standards and Technology (NIST) assures maximum application of the physical and engineering sciences to the advancement of technology in industry and commerce through programs to develop, maintain, and make available for use basic measurements and standards, material measurements and standards, and technological measurements and standards. Calibration and tests are performed, and standard reference materials are developed for Government and industry.
 - b. The National Technical Information Service (NTIS) acts as a self-supporting clearinghouse for scientific, technical, and engineering information. This clearinghouse provides American firms with access to U.S. and foreign government-sponsored research and development and applied engineering studies.
- .07 The Patent and Trademark Office (PTO) administers the U.S. patent and trademark laws to promote industrial and technological progress in the United States and strengthen the national economy. This mission is accomplished by: examining patent and trademark applications, issuing patents, and registering trademarks; disseminating patent and trademark information to the public; and encouraging a domestic and international climate in which intellectual property can flourish. PTO is responsible for collecting, assembling, cataloging, publishing, and distributing technical information disclosed in patent grants and, by so doing, has created the world's largest scientific and technical information center.
- .08 The Minority Business Development Agency (MBDA) assists minority businesses by providing management and technical assistance to minority firms. MBDA also coordinates opportunities for minority firms in the private sector and promotes the participation of business and Federal, State, and local governments in

directing resources to develop strong minority businesses.

- .09 The Economic Development Administration (EDA) promotes the creation and protection of jobs and income in areas of substantial and persistent unemployment. This is accomplished by providing grants and loan guarantees for planning assistance, technical assistance, research and coordination, and providing grants and loan guarantees for development facilities and industrial development.
- .10 The National Telecommunications Information and Administration (NTIA) defines policies which support the development and growth of telecommunications, information, and related industries; furthers the efficient development and use of telecommunications and information services; provides policy and management for Federal use of the electromagnetic spectrum; and furnishes telecommunications facilities grants to public service users.

Section 3.0 Financial Management Concepts

The Budget and Accounting Procedures Act of 1950, as amended, requires the head of each executive agency to establish and maintain systems of accounting and internal control designed to provide the following:

- a. Full disclosure of financial results of the agency's activities;
- b. Adequate financial information for the agency's management purposes; and
- c. Control and accountability of assets--effective control over, and accountability for, all funds and assets.

The Department's varied programs and supporting activities give rise to a number of financial management requirements. The Department's financial systems and operations must therefore be implemented so as to cost-effectively satisfy these varied requirements. Among these are the following:

- .01 Accommodation and Support of Sources and Methods of Financing

While much of the Department's funding is obtained from annual appropriations, bureaus also obtain funds from multi-year and no-year appropriations, revenues from sales of documents and services to the public, and work for other Government agencies. The bureaus also administer a variety of trust funds, such as for managing combined Federal-State programs and gifts and bequests to the Department.

Methods of financing include the use of contract authorizations, management funds, intra-governmental and public enterprise revolving funds, consolidated working capital funds, and franchise funds for the distribution of overhead and joint service costs between Department appropriations as well as for the performance of work for other Government agencies.

.02 Standardization of Accounting Classification Coding Structure(s) and Other Needed Common Classifications

Although the accounting systems are now integrated at the bureau level by common classification, a common structure will be instituted Department-wide with the implementation of a Departmental Core Financial System. This will facilitate improved formulation and execution of budgets, and provide consistent financial information needed for program management and Departmental oversight.

Common classifications will also permit the evaluation of performance against plans at all levels of management, permit roll up of codes to higher levels (i.e., activity, sub-activity, line item, and/or major object class), and enhance internal controls.

.03 Design and Implementation of Needed Financial Controls

Financial control is achieved primarily through planning of expected performance, execution under the plan, as well as accounting, reporting, and review.

- a. Planning, programming, and budgeting is a coordinated technique consisting of correlated long-range planning, planning of an annual budget, and the planning and programming of internal operations and procurement for the current fiscal year.

- b. Accounting furnishes the essential financial information to ensure that management can make informed decisions on its daily operations, and to provide financial control over the organization's assets. Accounting also consists of recording, classifying and summarizing transactions of a financial nature, and interpreting the results. Accounting systems provide information at appropriate levels on disbursements, outlays, accrued expenditures, obligations, and commitments.
- c. Financial reports are prepared and consolidated directly from the accounting records at a level of detail consistent with the levels of management to which the reports are addressed and fulfill the reporting requirement established under the Chief Financial Officers Act of 1990.
- d. Reviews and evaluations are carried out continuously at all levels of operation and management using programmed and exception techniques.

.04 Specification and Establishment of Control Levels

Control levels are established to prevent violations of laws, and to promote the economical and efficient use of resources.

- a. Fund control is the chief method of control, and is based on relating elements of operating budgets to related elements of commitments and obligations incurred.
- b. Supplemental devices of control include the following:
 - 1. Personnel ceilings and staffing patterns are incorporated into budgeting and reporting processes which, when summarized, provide information for the budget justifications.
 - 2. Commitments are used for the administrative control of funds for those classes of expenditures where funds must be reserved to assure their availability for future obligations.

3. Prevalidation is used where planning cannot assure administrative control, or where a comparison of budgets against obligations indicates a critical situation.
4. Procurement of property is coordinated with property management to assure that acquired property is properly recorded and that excess property is used whenever possible. A periodic physical count in conjunction with other property maintenance system such as the bar code system are current procedures being used to monitor addition and deletion of assets.

Section 4.0 New Core Financial System

As mandated by statute and central agency policies (the Chief Financial Officers Act of 1990 and OMB Circular A-127, Financial Management Systems), the Department shall replace its existing outdated accounting systems with an integrated Commerce Administrative Management System (CAMS). In June 1998, the Department completed the Core CAMS at Census. An independent verification and validation assessment concluded that CAMS met the needs of the Department and was as good as or better than other core financial management software packages implemented at other large government agencies. Based on this assessment, the Department developed a business case analysis to compare and evaluate strategies for implementing Core CAMS. Accordingly, a new strategy was developed for Core CAMS. This strategy involved expansion from Census to NOAA, followed by NIST. In addition, EDA decided to implement certain aspect of CAMS in FY 1999. The remaining reporting entities, however, would obtain financial systems support through cross-servicing agreements.

Section 5.0 Existing Accounting Systems

Effective October 1, 1999, the Department will be using six (6) separate accounting systems. These six systems are as follows :

Economic Development Administration (loans and grants) and
Bureau of the Census: CAMS

National Technical Information Service (NTIS): NTIS
Accounting System

National Institute of Standards and Technology (NIST)
operates two (2) accounting systems: Financial Accounting
and Reporting System (FARS) and NIST Accounting System
providing accounting services for:

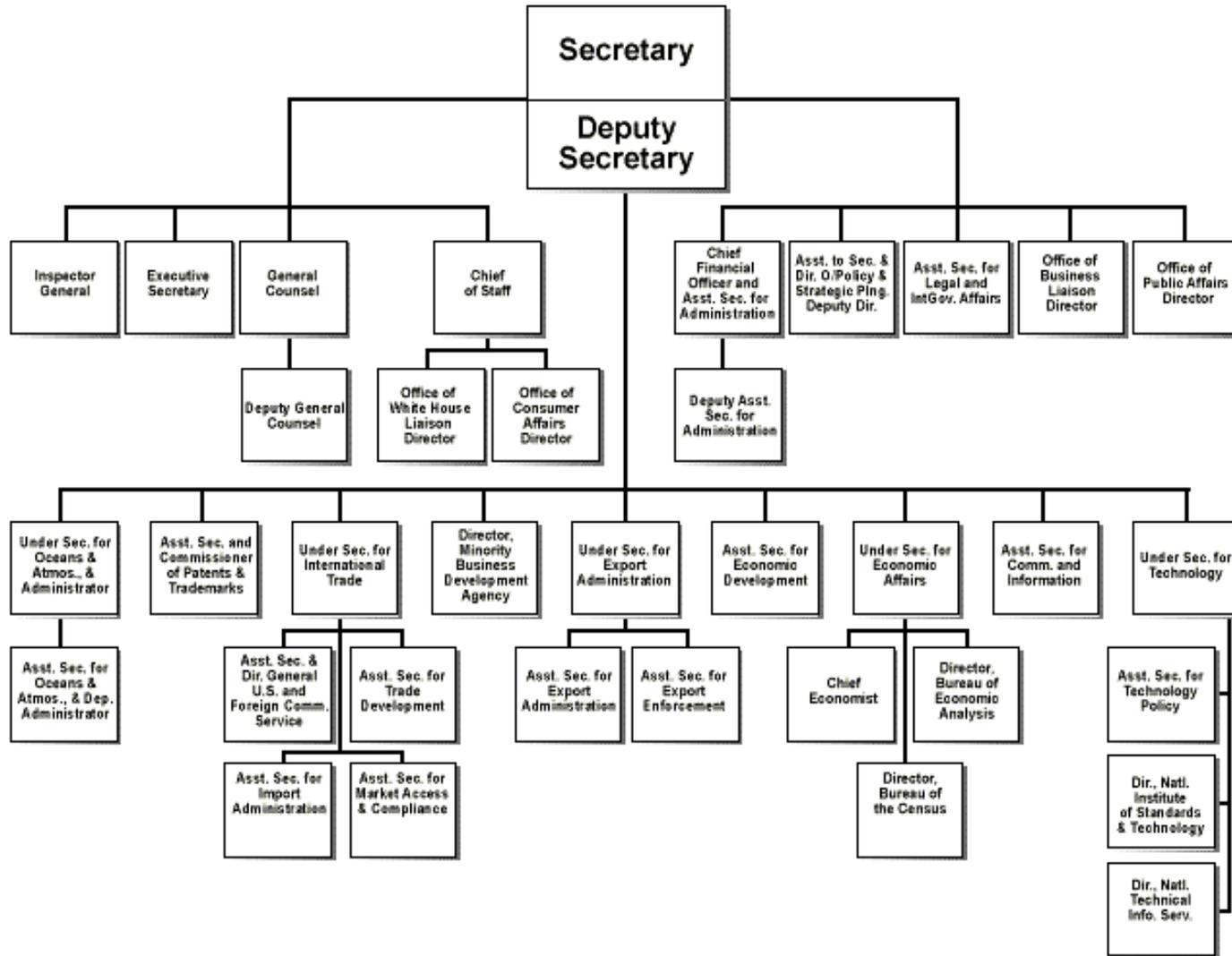
National Telecommunications and Information Agency
Technology Administration(except NTIS)
Office of the Secretary
Economic and Statistics Administration (except Census)
Economic Development Administration (administrative funds)
Minority Business Development Agency
Office of the Inspector General
Patent and Trademark Office (PTO) and International Trade Administration (ITA): Department of Interior's Federal Financial System (FFS)
National Oceanic and Atmospheric Administration(NOAA): NOAA Financial Management System (FIMA)--also providing accounting services for:
Bureau of Industry and Security

Section 6.0 Financial Transactions

The bureau's accounting systems are considered the official financial records for that bureau. The bureau systems are generally the original entry system.

The Department has its payroll cross-serviced by the National Finance Center. The Coast Guard cross services the payroll function for the NOAA Corps. This was done so that the Department could take advantage of the Coast Guard's experience with military pay regulations and procedures. Most foreign payments are made by the State Department and interfaced into the bureau accounting systems. The Department of Interior is cross-servicing accounting functions for ITA and PTO.

U.S. DEPARTMENT OF COMMERCE ORGANIZATION CHART



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