ACCOUNTING PRINCIPLES AND STANDARDS HANDBOOK

CHAPTER 5. FINANCIAL REPORTING

Section 1.0 General

Federal financial reporting consists of two types of reports: (1) general purpose and (2) management accounting reports.

General purpose financial reports include internal financial reports and external management reports.

The objective of internal management reporting is to supply management with clear, concise, and useful budget execution reports and accounting data. Financial reports provide financial management information to users outside of the Department.

The objective of external financial reporting is to comply with the reporting requirements of central agencies.

Management accounting reports shall provide a means of comparing plans to performance, and for comparing similar operations from period-to-period and between organizations. Analyses of variances are integral to reporting results to operating and program managers and to the Chief Financial Officer (CFO).

General purpose financial reports should provide information on:

- sources and uses of budgetary resources;
- operations and the related resources;
- government's assets; and
- government's liabilities and financial responsibilities.

They should also provide information that addresses concerns with the future and discloses the levels of financial controls.

The responsibility for financial and management accounting reports lies with bureau finance officers. General purpose financial reports shall be based on data maintained by approved Departmental financial management system(s).

Section 2.0 Authority

The policies and procedures in this chapter are issued pursuant to the following laws, regulations, and guidelines:

a. Chief Financial Officers Act of 1990, 31 U.S.C. Sec. 3512, 3515 (Public Law 101-576);

b. Government Performance and Results Act of 1993.

c. Government Management Reform Act of 1994;

d. OMB Circular A-11, "Preparation and Submission of Budget Estimates"

e. OMB Circular A-34, "Instructions on Budget Execution"

f. OMB Circular A-127, "Financial Management Systems;"

g. OMB Circular A-130, Appendix III, "Security of Federal Automated Information Systems;"

h. OMB Bulletin 98-08, "Audit Requirements for Federal Financial Statements;"

I. OMB Bulletin 97-01, "Form and Content of Agency Financial Statements;"

j. OMB Circular A-134, "Financial Accounting Principles and Standards";

k. GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 2, Accounting;

l. Treasury Financial Manual, Volume I Chapter 2-4000, Federal Agencies' Centralized Trail-Balance System (FACTS)

m. FASAB Statement of Federal Financial Accounting Concepts and Standards: Concepts (SFFAC) Nos. 1-2 and Standards (SFFAS) Nos. 1-8. On-line access at the following Internet address: http://www.gao.gov/policy/volume.pdf; and

n. Accounting and Auditing Policy Committee: " Audit Legal Representation Letter Guidance."(Issued November 13,1997)

Section 3.0 External Financial Reports

.01 Financial Statements

The CFO Act of 1990 requires Executive Departments and Agencies to prepare audited financial statements for revolving funds, trust funds, and "substantial commercial activities." The Government Management Reform Act of 1994 expands on the CFO Act by requiring audited financial statements for all activities of the Department. The Director of OMB prescribes the form and content of financial statements to be prepared under these Acts.[(1)] Beginning in FY 1998 and each year thereafter, reporting entities are required to prepare audited financial statements, which consist of the following sections:

a. Transmittal Memorandum This brief transmittal serves to introduce the statements, as well as summarize:

1. Critical program information gleaned from the principal statements, the overview, and program performance measures; and

2. Highlights of the auditor's findings and bureau plans for correcting material

weaknesses, major deficiencies, and instances of non-compliance with laws and regulations.

The transmittal should identify impediments to prompt resolution of reporting problems cited by the auditor reports, particularly those problems identified by previous audit reports that remain unresolved.

b. Auditor's Reports - Audited financial statements forwarded to the CFO for transmittal to OMB should include the auditor's report. The auditor will submit an audit report to the head of the reporting entity, which is made up of at least three parts:

1. An opinion, or disclaimer of an opinion, on whether the financial statements are presented fairly in all material respects in accordance with applicable accounting standards.

2. A report on internal controls which identifies material weaknesses, reportable conditions, and other matters; and

3. A report on the entity's compliance with applicable laws and regulations. Further:

o Section 803 (b)(1) of the "Federal Financial Management Improvement Act of 1996 (FFMIA) requires that auditors include in their financial statement audits a report on compliance with FFMIA;

o section 803 (c)(1) requires that the head of each agency determine whether the agency's financial management systems comply with the Act based on a review of the report on the applicable agency-wide audited financial statement and any other information the head of the agency considers relevant and appropriate;

o FFMIA section 803 (c)(3) requires that when the agency head disagrees with the auditor's findings the Director of OMB shall review such determinations and provide a report on the findings to the appropriate committees of the Congress; and

o FFMIA section 803 (c)(3) requires that when the agency agrees with the auditor's findings of noncompliance, a remediation plan be developed in consultation with OMB that describes the resources and milestones for achieving compliance. It is recommended that the plan not exceed three years.

c. The Overview of the Reporting Entity is also called the Management Discussion and Analysis section. The overview should provide a clear and concise description of the reporting entity. At a minimum the overview should contain sections which address the entity 's mission and organizational structure. Additionally, the Overview section should set forth management's representations with respect to overall financial and program performance of the reporting entity for the year. The entity's program and financial results should be expressed in

terms of objective, relevant measures that disclose the extent to which its programs are achieving their intended objectives. The entity's financial results should be summarized in a manner that would illustrate significant indicators of its financial operations for the reporting period and changes in financial condition during the period. Performance measures presented in the overview and as other accompanying information should be consistent with the measures used by agencies as part of their Government Performance and Results Act (GPRA)implementation efforts.

d. Consolidated Financial Statements (Principal Statements):

1. Balance Sheet presents, as of a specific time, amounts of future economic benefits owned or managed by the entity exclusive of items subject to stewardship reporting (assets), amounts owed by the entity (liabilities), and amounts which comprise the difference (net position).

2. Statement of Net Costs reports separately the components of net cost of the entity's operations for the period. Net cost of operations is the gross cost incurred by the reporting entity less any exchange revenue earned from its activities. If the organizational structure and operations of an entity are too complex to fully display their sub-organizations' major programs and activities in the statement, then the entity should provide this information in supporting schedules to the notes of the financial statements.

3. Statement of Changes in Net Position reports the beginning net position, the items which caused net position to change during the reporting period, and the ending net position.

4. Statement of Budgetary Resources provides information about how budgetary resources were made available as well as their status at the end of the period. The statement should be prepared by entities whose financing comes wholly or partially from budgetary resources. The Statement of Budgetary Resources should be aggregated to reflect all the activity of the reporting entity for the year covered by the financial statement. Budgetary information aggregated for the Statement of Budgetary Resources should be desegregated for each of the reporting entity's major budget accounts and presented as supplementary information.

5. Statement of Financing provides a reconciliation of the differences between the accrual-based measures used in the Statement of Net Cost and the obligation-based measures used in the Statement of Budgetary Resources.

6. Statement of Custodial Activity is required for entities that collect non-exchange revenue for the General Fund of the Treasury, a trust fund, or other recipient entities.

e. Notes to the Principal Statements (see below at Section 4.0).

f. Required Supplemental Stewardship Information (RSSI) provides information

pertaining to an entity's Stewardship resources and responsibilities entrusted to it. Information on stewardship reporting requirements (see below at Section 14.0) definitions, measurement and implementation guidance is found in SFFAS No.8 Secs.7-40.

g. As noted above, entities should provide Required Supplemental Information that includes: the detailed budgetary information aggregated for purposes of the Statement of Budgetary Resources; information to supplement the Statement of Custodial Activity relating to the entity 's potential revenue and custodial responsibilities; and the required segment information from each franchise fund and other intra governmental support revolving fund that is not separately reported on the entity's principal statements.

h. In addition, the annual financial statement should include other accompanying information" that in the judgement of management provides users of the financial statement with relevant information useful for obtaining a better understanding of the entity's programs and the extent to which they are achieving their intended objectives.

Refer to the current Commerce CFO Guidance Memorandum and the current OMB Bulletin in Reference R of this Handbook for guidance on the presentation of agency financial statements. Please note that financial statement preparers should follow the conventions noted in the general instructions of the OMB Bulletin (pp. 8-10) and the Commerce CFO Guidance Memorandum (e.g., "round dollar amounts...).

.02 Reports to OMB and Treasury

Departmental accounting system(s) shall have the capability of producing financial and budgetary reports, and supporting schedules, as required by OMB and Treasury.

In addition to the formal financial statements and budget reports, other financial reports required by OMB and Treasury include those listed in Exhibit 5-1, External Financial Reports, Exhibit 5-2, Credit and Debt Management Reports, and Exhibit 5-3, Cash Management Reports.

Section 4.0 Footnote Disclosure

.01 Summary of Significant Accounting Policies

Describe the reporting entity and identify its major components. All significant accounting policies of a reporting entity need to be described and included in the footnotes to the financial statements as the Summary of Significant Accounting Policies. For example, accounting policies requiring disclosure in this footnote are recognition of revenue and other financing sources, depreciation methods, and related-party transactions. In addition the summary of significant accounting policies should disclose any significant changes in the composition of the reporting entity or significant changes in the manner in which the reporting entity aggregates information for financial reporting purposes.

.02 Intra-governmental Activity

Significant transactions between Federal entities that materially impact the information presented in the financial statements should be separately disclosed. These disclosures will enable users of the financial statements to assess the impact of related-party transactions on agency operations and compare the results obtained to what would have resulted if the transactions had been conducted as arms-length transactions between unrelated parties.

.03 Judgment Fund - Litigation, Claims and Assessments

An entity's management should identify, evaluate and account for contingent liabilities resulting from litigation, claims, and assessments, as a basis for the preparation of its financial statements. The identification and evaluation should include consultation with staff counsel and the Office of General Counsel, which may need to consult with the Department of Justice. A footnote to the financial statements discussing the Treasury Judgment Fund's role in the payment of the possible loss is needed. (See Loss Contingencies, Ch. 9 Sec.7.0 - Contingent Liabilities).

.04 Other Required Footnote Disclosures

All significant changes in equity accounts during the period for which the Statement of Changes in Net Position is prepared shall be disclosed in the footnotes to the financial statements. Additionally, the following accounts should be properly disclosed and guidance can be found in the SFFAS (http://www.gao.gov/policy/volume.pdf), the Handbook, and other reference materials listed below:

a. Advances and Prepayments (Ch. 8 Sec. 6.03), SFFAS No.1 Secs. 57-59;

b. Capitalization of Interest SFFAS No. 6 Sec. 30;

c. Comparative Financial Statements (Ch. 5 Sec. 9.0);

d. Consolidated Financial Statements (Ch. 5 Sec. 6.0);

e. Gain or Loss Contingencies (SFFAS 5 Secs. 40-42);

f. Debt Agreement Modification(Credit and Debt Management Operating Standards and Procedures Handbook, Ch. 10), SFFAS No. 2 Secs. 102-128;

g. Depreciation and Amortization SFFAS No. 6 Secs. 35-39, SFFAS No. 1 Secs. 70-71, SFFAS No. 2 Secs. 30-32;

h. Equity of the U.S. Government (Ch. 10 Sec. 8.0);

i. Foreign Currency (SFFAS No. 1 Sec.27);

j. Fund Control (Ch. 7 Sec. 8.0);

k. Funds Balance With Treasury and Cash (SFFAS No. 1 Secs. 31-39);

l. Grants and Cooperative Agreements (Ch. 13 Sec.1.0), (GAO Title 2, Appendix I,

Sec. G10), (DOC Interagency and Other Special Agreements Handbook) ;

m. Inventory (Ch. 8 Sec.6.03), SFFAS No. 3 Secs.27-28;

n. Investment (Ch. 8 Sec. 6.05), SFFAS No. 1 Secs. 62-73;

o. Leases (ch. 9 Sec.1.0), SFFAS No. 5 Secs. 43-46;

p. Liabilities Based on Actuarial Calculations SFFAS No. 5 Secs. 56-96;

q. Loan Guarantees and Commitments SFFAS No. 2 Secs. 23-128;</a.

r. Prior-Period Adjustments of Financial Statements (SFFAS No. 7 Secs. 76);

s. Property, Plant, and Equipment (SFFAS No. 6);

t. Receivables (SFFAS No.1 Secs. 40-61);

u. Extraordinary Items (Ch. 5 Sec. 12.0); and

v. Footnote disclosures not related to a specific statement and disclosures related to the Statements of Changes in Net Position, Budgetary Resources, Financing and Custodial Activity (see reference R, OMB Bulletin 97-01 pp. 71-73).

Section 5.0 Financial Management Systems

Financial management systems should be designed and operated to meet external reporting requirements of oversight agencies, and internal information needs of managers. In addition, financial management systems should be flexible enough to produce, or assist in producing, special purpose financial reports on an as-needed basis. Therefore, bureau financial management systems must:

1. Meet OMB Circular A-127 requirements which, call for systems to: support management's fiduciary role; support the legal, regulatory, and other special management requirements of the agency; support the budget execution functions; support fiscal management of program delivery and program decision making; comply with internal and external reporting requirements, including, as necessary, the requirement for financial statements prepared in accordance with the form and content prescribed by OMB and reporting requirements prescribed by Treasury; and be monitored by agency staff to ensure the integrity of financial data.

2. Follow requirements published in JFMIP's Federal Financial Management System Requirements series which prescribe the functions that must be performed by systems to capture information for financial statement preparation.

3. Provide security over financial information in accordance with OMB Circular A-130, Appendix 3. And, the financial management system 's internal controls are designed properly and operating effectively in accordance with OMB Bulletin 93-06. (see Sec. 5.01-Security below);

4. Support strategic planning and performance measurement requirements of GPRA;

5. Incorporate the U.S. SGL chart of accounts;

6. Incorporate the OMB Object Classification codes included in OMB Circular A-34;

7. Support managerial cost accounting for Departmental responsibility segments;

8. Support proper accrual accounting in compliance with generally accepted accounting principles of the Federal Government;

9. Provide that compensating procedures are applied to financial management information produced by third parties such as service bureaus when it is determined that financial systems used by third parties to provide those services do not comply with the provisions of the FFMIA; and

10. Address the year 2000 computer problem. .

.01 Security

Bureau financial systems are required to adhere to all security controls that are set out for Federal automated information systems in OMB Circular A-130, Appendix III, Security of Federal Automated Information Systems. " Bureaus shall maintain adequate security for all financial records. At a minimum, the security for automated systems will provide for the following:

a. A password system that provides for:

1. Entry into the system only by those individuals that are authorized to enter data into the system;

2. Entry of data into the system only during authorized hours; and

3. Restrict certain types of transactions to personnel that are authorized to enter that type of data.

b. A password system that has the capability of periodic change controlled by the user and a mandatory change at least annually.

c. Record users' identification as part of each transaction;

d. Safeguards Privacy Act information;

e. The capabilities to limit access to certain files;

f. Prevention for the alteration of data except through the posting of transactions that are entered through the normal edit and update process under proper security; and

g. Control over all changes to the system.

In compliance with the Computer Security Act of 1987", the Department has established and implemented an Information Technology (IT) security program to ensure (1) that IT

systems operate effectively and accurately; (2) that there are appropriate technical, personnel, administrative, physical, environmental, and telecommunications safeguards in IT systems, and (3) the continuity of the operations of IT systems that support critical agency functions is preserved. For further information on IT security, consult the Chief Information Officer (CIO) Information Technology Security Manual, Chapter 10, Attachment 1. Internet access for the IT Security Management Handbook is located at the following address:

http://www.doc.gov/cio/oipr/doc-man.htm

Reference should also be made to Ch. 15, Records Management, of this Handbook regarding records maintenance, management, and retention. Also, see Section 8, Electronic Data Processing, contained in DO 203-7, Financial Internal Control Standards.

Section 6.0 Fairness of Presentation

Financial statements shall provide full disclosure of financial operations and financial position in accordance with accounting principles and standards specified under the hierarchy of authority included in Ch. 3, Sec. 2.0, Regulatory Requirements.

Full disclosure carries with it the burden of reporting, as necessary, unsatisfactory conditions and violations of statutory limitations. Full disclosure implies that financial statements shall not be adjusted arbitrarily or in such a manner as to eliminate such conditions or violations. Financial statements shall fully disclose any alternate accounting basis for the preparation of statements that are not fully in accordance with the principles and standards of the FASAB or the Handbook.

All financial reports must identify their purpose and present logical data consistent with that purpose. If the report classifications do not provide the means of disclosing significant factors affecting the financial data, proper footnotes and references shall be appended to the report.

Reports shall be prepared on a consistent basis from period-to- period. Where significant changes are made in accounting classifications or other concepts underlying a financial report which significantly impairs comparability, the effect of the change shall be disclosed until a proper transition to the new concept(s) can be made.

Financial and operational reports, compiled on a monthly basis, shall include both current and cumulative transactions recorded on a timely basis. The integrity of financial reports should not be compromised by the inclusion of prior period adjustments. Adjustments and corrections shall be set forth separately in the statements in such a manner that their financial significance can be readily determined.

Section 7.0 Accuracy

Financial data shall be defined by the chart of accounts as established for the U.S. Standard General Ledger. Financial reports to central agencies shall be prepared directly from general ledger accounts, or from records under general ledger control and reconciliation.

System design and procedures shall ensure that all financial transactions pertaining to an

accounting period have been accounted for, either by direct processing into the accounting system, or by identification and provision of a reasonable estimate if the transaction cannot be received in time for direct processing. To ensure accuracy and completeness of reports, closeout procedures shall provide a review of accounts before final closing of the books for the accounting period.

Procedures will provide for all accounting work to be supervised by a professional accountant. Such procedures may provide for day-to-day processing controls, proof of batch listings, and journals of original entry. Closeout procedures, journal vouchers, general ledger reconciliation and corrections, and formal statements shall be the assigned responsibility of professional accountants.

One of the most important functions of a finance office is to ensure the accuracy of the financial statements. Steps that need to be taken to increase the likelihood of accurate numbers on financial statements include:

a. Ensure that the financial statements are drawn from the information contained in the system;

b. Require that adequate work papers and documentation exists to support the flow of numbers from the system to the financial statements;

c. Document all adjustments to amounts derived from the accounting system;

d. Reconcile internal records timely with data from outside sources, such as reports from the Department of the Treasury;

e. Review the numbers for reasonableness, including a comparison against prior year amounts and an explanation of unusual variances; and

f. Disclose any uncertainty regarding the reliability of the numbers and the reasons thereof in the notes to the financial statements.

Section 8.0 Timeliness

Official financial accounting reports to central agencies shall be prepared from financial accounting systems or subsystems as directed by the Deputy CFO in accordance with due dates established by the central agency. Such financial reporting system(s) must be able to produce reports timely enough to meet the mandatory internal and external reporting deadlines. Financial data for management accounting reports shall be available by the twentieth working day following the close of the month. (When the Department is under a consolidated financial system, this time frame will change.)

Financial transactions issued or approved by management through the last workday of the reporting period shall be processed for inclusion in the reports. Earlier cutoffs, except at year-end, may be made for specific types of transactions which would not be available for timely processing at specified reporting periods, provided that action is taken to prevent distortion of results by such cutoffs. The basis and justification for earlier cutoffs shall be presented by the bureau finance officer in charge to the Deputy CFO for approval.

Special provisions may be made for reporting accounting transactions relating to operations overseas or at remote locations, providing that reasonable estimates of obligations, costs, and expenditures are included in each regular report, and that procedures are established for adjusting such estimates to actual at the earliest practicable date. Such operations shall be identified in the accounts as separate cost centers.

Timely financial accounting information is especially critical to the successful preparation of the reporting entity ’s annual financial statements. A major factor in obtaining an unqualified audit opinion on the Department ’s financial statements is ensuring that bureau audits stay on time. Any bureau audits which fall behind risk the possibility of a scope limitation, and subsequent disclaimer of an opinion by the auditors. Since the preparation of the Department-wide consolidated financial statement and subsequent audit opinion relies on the cumulative results of the individual bureau audits, any one bureau that falls behind will hold up the whole Department and may adversely affect the Department§s audit opinion.

Section 9.0 Comparability

The annual financial statements are to include consolidated, comparative financial data from the immediate prior year if the bureau was in operation during that year. Prior year data must be reported in a format consistent with the current year's data.

If a bureau was not in existence in the prior year (i.e., the initial year of a new bureau within the Department), the requirements for comparative financial statements will not apply. However, in subsequent years the bureau must issue comparative financial statements in accordance with this section.

When a bureau undergoes a major reorganization resulting in divestiture of activities, or is consolidated with another Federal organization or Departmental organization, significant prior year amounts need to be reclassified and explained in the footnotes to achieve comparability.

Section 10.0 Prior Period Adjustments

Prior period adjustments should be limited to corrections of errors and accounting changes with retroactive effect, including those occasioned by the adoption of new federal financial accounting standards, and should be recognized and measured under applicable standards. Adjustments should be recognized as a change in cumulative results of operations (rather than as an element of net results of operations for the period). Prior period financial statements should not be restated for prior period adjustments recognized in the current period. All non-material adjustments are to be reported as part of the results of operations in the period in which it was discovered. The nature of a material error in prior-period financial statements will be disclosed in the financial statements of the period in which it is discovered.

.01 Correction of Errors

Errors in prior-period financial statements include:

a. Mathematical errors in statement preparation or information supporting the statements;

b. Errors in applying accounting principles; or

c. Errors using or interpreting information that existed at the time the prior-period statements were developed.

A change from an unacceptable accounting principle to an acceptable principle must be reflected in the bureau's financial statements as an adjustment to prior periods.

A change in an accounting estimate, as opposed to an error, results from new information that did not exist or was not known when prior-period statements were prepared. The use of estimates (e.g., an estimate of uncollectible receivables) is inherent in the accounting process. Recurring corrections and adjustments are the natural results of the use of estimates. Therefore, changes in estimates to reflect actual results will be reported as normal operating items, not as prior-period adjustments.

.02 Changes in Reporting Entity

Transfers of the bureau's appropriations or funds that materially affect the comparability of the current financial statements to those of prior periods will be reflected by restatements of any prior period financial information presented in the current financial statements. The impact of the transfer of major programs must also be disclosed in the financial statements.

Restatement shall be reflected by combining the assets, liabilities, operations, and accumulated results of the new entity with those of the old, or by deleting those items in the case of entities that are transferred out. Financial statements will disclose the impact of any material change in assets, liabilities, operations, and accumulated results of operations for all periods presented. For additional guidance on this topic, see Sec.12 of this chapter which deals with comparability of financial statements.

Section 11.0 Budgetary Accounting

Budgetary and financial accounting information are complementary, but both the types of information and the timing of their recognition is necessarily different because of the difference in focus. Budget information focuses on the obligation and outlay of financial resources to acquire or provide goods and services as defined by budget concepts. Operating performance information focuses on the cost of resources used as defined by accrual accounting standards.

The Statement of Budgetary Resources mirrors OMB ’s SF-133, “Report on Budget Execution, ” which provides information on budgetary resources and the status of these resources. In addition to information on the status of budgetary resources, information is needed to help users determine how information on the use of budgetary resources relates to information on the costs of program operations, and whether information on the status of budgetary resources is consistent with other accounting information on assets and liabilities. This objective arises because accrual-based expense measures used in financial statements differ from the obligation-based measures used in the budgetary reports. To satisfy this objective, information is needed about the differences between budgetary and financial (i.e., proprietary) accounting that arise as a result of the different measures. This is accomplished through the Statement of Financing, which reconciles the budgetary resources obligated for a federal entity's programs and operations

to the net cost of operating that entity.

Budgetary accounting is governed by OMB Circulars A-11,A-34, and 31 U.S.C. Ch. 15-Appropriation Accounting. In addition, Treasury's Financial Management Service has developed an instruction manual entitled "Budgetary Accounting in the Federal Government.

Section 12.0 Extraordinary Items

Extraordinary items are events and transactions that are distinguished by their unusual nature *and* by the infrequency of their occurrence. Thus *both* of the following criteria shall be met to classify an event or transaction as an extraordinary item:

a. *Unusual nature* - the underlying event of transaction possesses a high degree of abnormality and is of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the reporting entity, taking into account the environment in which the reporting entity operates.

b. *Infrequency of occurrence* - the underlying event or transaction is of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the reporting entity operates.

Extraordinary items should be included in Costs Not Assigned to Programs on the reporting entity§s Statement of Net Costs.

The environment of an entity includes such factors as the characteristics of its mission, the geographical location of operations, and the nature and extent of regulations over operations. An event or transaction may be unusual in nature and infrequent for one bureau but not for another because of differences in their respective environments. Unusual in nature and infrequent in occurrence shall not be determined by the fact that an event or transaction is not controlled by management.

Extraordinary items often require estimates (e.g., of associated costs and occasionally of associated financing sources, such as revenues) based on judgment and evaluation of the facts known at statement preparation time. Separate footnote disclosure of each adjustment made in the current period for an extraordinary item reported in a prior period needs to be made. (See Sec.12-Prior Period Adjustments, for recording and disclosing changes in estimates of prior period extraordinary items.)

Section 13.0 Measuring Successful Reporting

As previously stated, the Department's financial management system ~~s~~ and the reports that it generates must serve Department decision-makers and managers at various levels. Such information should support:

a. Informed program and resource decisions--this requires information to support the budget and management decision process, both within the agency and at the executive and Congressional level.

b. Compliance with law, policy requirements, and budget and management decisions--this requires the establishment of controls and the tracking of spending against requirements.

c. Efficient, effective program delivery--this requires reporting on service efforts, accomplishments, and costs.

d. Proper stewardship over Federal resources--this requires reporting on management's accountability for resources, as well as their cost and service potential.

e. Protection from future liabilities resulting from current decisions and events--this requires information on such things as loan guarantees, insurance exposures, pension commitments, and environmental clean-up decisions.

f. Meeting external reporting requirements--this requires budget formulation and execution presentation, as well as financial statements describing the financial position, results of operations, cash flows, and reconciliation to budget reports.

Annual reviews shall be performed to determine if current reports are still needed, or if revisions are required to meet the changing needs of program managers. New reports may also need to be provided in order to enhance or maintain sound decision- making. Additional changes in budget or program classifications may be necessary during this annual review. Regular review to keep abreast of management's ever changing information requirements is another "measure" of successful reporting.

Section 14.0 RSSI (see Sec. 5.01(f)) Reporting Requirements

.01 General

This section includes the minimum required and, in some cases, recommended RSSI reporting requirements. These requirements and recommendations, including a phasing-in process for entities who may not have required data available at the implementation of the standards, are discussed below and contained in SFFAS No. 8. These requirements describe the nature of items to be reported by Federal entities; guidance on the form and content of agency financial reports, including the specific guidance on the format in which items addressed in this Statement will be reported, will be prescribed by OMB. In general, reporting should be at the major program or category level; individual transactions need not be reported unless significant. Additional reporting is encouraged when preparers believe such information would make the financial report more meaningful or understandable. The determination of the most relevant information to be presented should be made by the preparer; however, reporting at the entity level shall be more specific than at the government-wide level.

.02 Stewardship PP&E

In the case of reporting Stewardship PP&E the condition of the assets should be considered for presentation unless [(2)] it is already reported in a note to the financial statements in which case a reference to the note will suffice. Additionally, the RSSI section should reference the note to the financial statements if deferred maintenance is reported for the assets .

a. Heritage Assets - The following are examples of information that should be considered for presentation:

o Description of each major category of heritage asset.

o The number of physical units added and withdrawn from the heritage asset records during the year and the end-of-year number of physical units for each type of heritage asset. Heritage assets consist of (1) collection-type heritage assets, such as objects gathered and maintained for exhibition, for example, museum collections, art collections, and library collections; and (2) non-collection type heritage assets, such as, parks, memorials, monuments, and buildings.

o Description of the methods of acquisition and withdrawal of heritage assets.

b. Federal mission PP& - At a minimum, the following information shall be reported:

o A description of major types of Federal mission PP&E by the holding entity and the values assigned under the valuation method used.

o The value of Federal mission PP&E added and withdrawn during the year, the increase or the decrease in value resulting from revaluations of assets held to latest acquisition cost, and the end-of-year value for each major type of property using the entity's valuation method.

o A description of the methods of acquisition and withdrawal of Federal mission PP&E. This should be reported at the major program or category level; individual transactions, unless significant, need not be reported.

c. Stewardship Land - Minimum reporting shall include the following:

o The number of physical units of stewardship land by category of major use, broken down within that category by principal holding agency.

o Where parcels of stewardship land have more than one use, the predominant use of the land shall be considered the major use. Examples of major uses of stewardship land include forests and wildlife, grazing, parks, recreation, and historic sites. In cases where land has multiple uses, none of which is predominant, a description of the multiple uses shall be presented.

o Acquisitions, withdrawals, and ending balances should be shown by major categories of use, and methods of acquisition and withdrawal identified. Reporting should be at the major category level; individual transactions, unless significant, need not be reported.

.03 Stewardship Investments

In regard to reporting stewardship investments, the reporting entity=s annual investment made in the year ended on the balance sheet date as well as in each of the 4 years preceding that year shall be reported[(3)]. If data for additional years would provide a better indication of investment, reporting of the additional years' data is encouraged. In those unusual instances when entities have no historical data, only current reporting year data need be reported. Reporting shall be at a

meaningful category or level, for example, a major program or department. Reporting of major investments at the entity level shall be more specific than at the government-wide level.

In some cases, the information called for above is not available because entities have maintained records on the basis of outlays rather than expenses. For such entities to reconstruct their accounts on the basis of expense data may be impracticable. Bureaus in this situation will continue to report historical data on an outlay basis for any years for which reporting is required and for which expense data are not available. If neither historical expense nor outlay data are available for each of the 5 years, entities need report only expense data for the current reporting year and such other years as available. At the end of 5 years, however, the bureau will be able to report the expenses to be categorized as investments for non-federal physical property rather than the outlays for each of the preceding 5 years.

It is recommended but not required that entities report the amount of significant state, local, private or foreign total contributions to shared or joint programs. If it is known, however, that other contributions in a significant amount were made, that fact (for example, expressed as a percentage of the total program) shall be reported even if the exact amount of the contribution is not known.

a. Non-federal physical property - Minimum reporting shall include the following:

- The reporting entity's annual investment shall include a description of Federally-owned physical property transferred to state and local governments.
- Reporting shall include a description of major programs involving Federal investments in non-federal physical property including a description of programs or policies under which non-cash assets are transferred to state and local governments.

b. Human Capital - Minimum reporting shall consist of a narrative description of major education and training programs considered Federal investments in human capital.

c. Research and Development - Minimum reporting shall consist of a narrative description of major research and development programs.

Finally, Stewardship information may be presented in varying formats depending on the nature of the Federal investments or claims to Federal resources controlled by an entity. Such information is required for those entities (1) that control stewardship resources and (2) whose financial statements purport to be in accordance with Federal accounting principles as recommended by FASAB, and approved by the Secretary of the Treasury, the Director of OMB and the Comptroller General[(4)].

EXTERNAL FINANCIAL REPORTS

FORM NUMBER	FORM TITLE	REQUIRED	REPORT FREQUENCY

		BY	
SF-133	Report on Budget Execution **	A-34	Quarterly
SF-224	Statement of Transactions	I TFM 2-4300	Monthly
N/A	FACTS - Adjusted Trial Balance & NOTES	I TFM 2-4200	Annual
FMS-2108	Year End Closing Statement **	I TFM 2-4000	Annual
	Report on Unvouchered Expenditures	A-34	Annual
Exhibit 52	Report on Resources for Financial Management Activities	A-11	Annual
	Building Delegation Account	GSA BLDFND	Quarterly
	DOC Accountability Report	GPRA	Annual
	DOC Strategic Plan		Every 3 years
	Annual Performance Plan	GPRA/A-11	Annual

** To be replaced by FACTS II during the fall of 1999. FACTS II fulfills the needs of the SF-133, FMS-2108, and much of the initial set of data that appears in the prior year column of the Program and Financing Schedule (P&F) budget report.

Exhibit 5-1

CREDIT & DEBT MANAGEMENT REPORTS

FORM NUMBER	FORM TITLE	REQUIRED BY	REPORT FREQUENCY
N/A	Report on Guaranteed Loans	I TFM 2-4100	Annually
N/A	Report on Receivables Due from the Public	I TFM 2-4100	Quarterly, if receivables >$50M; otherwise Annual

Exhibit 5-2

CASH MANAGEMENT REPORTS

FORM NUMBER	FORM TITLE	REQUIRED BY	REPORT FREQUENCY
	EFT Report	I TFM Cash Mgt Appendix I	Quarterly

N/A	Civil Monetary Penalties Report		<Annual
		Cash Mgt	
N/A	Civil Monetary Penalties Inflation Adjustment Report	Appendix I	Every 5 years

Exhibit 5-3

1. [1] See Reference R of in this Handbook for OMB s current form and content bulletin, OMB Bulletin 97-01 Form & Content for Agency Financial Statements. Audit requirements for Federal financial statements are included in OMB Bulletin 98-08 "Audit Requirements for Federal Financial Statements," which is included as Reference Q.

2. [2] Examples of condition information include, among others, (1) averages of standardized condition rating codes; (2)percentage of assets above, at, or below acceptable condition; or (3) narrative information.

3. [3] As defined in this standard,"annual investment" includes more than the annual expenditure reported by character class for budget execution. "Annual investment" is the full cost of the investment. Full cost shall be measured and accounted for in accordance with Managerial Cost Accounting Standards and Concepts for the Federal Government, SFFAS No. 4.

4. [4] / See examples of selected portions of stewardship report sections included at SFFAS No. 8 Appendix B.

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