Department of Transportation

Financial Management Policies Manual

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SECTION 1: AUTHORITIES

1.01 PURPOSE

The *Financial Management Policies Manual* (Manual) provides Operating Administrations (OAs) with a single, authoritative source for Department of Transportation (DOT or Department) standards for financial and accounting policies.

Title 31, Section 902(a)(5) of the United States Code (U.S.C.) requires that each agency's Chief Financial Officer (CFO) "direct, manage, and provide policy guidance and oversight of agency financial management personnel, activities, and operations." The issuance of this manual is intended to meet that requirement and, furthermore, to be the official presentation and interpretation of the financial management laws, regulations, and policies issued by authoritative bodies to ensure consistent application in recording and reporting transactions throughout the Department. Furthermore, all financial and accounting transactions and events, both budgetary and proprietary, must be entered into Delphi, DOT's accounting system.

Guidance for Situations not within Manual: Those who encounter situations not covered in the Manual may send a written request for Departmental guidance to the Director of Financial Management, B-30 (OFM). OFM will consult as necessary with the policy and standard-issuing bodies referenced in the Manual and/or with working groups comprising of experts within DOT to devise appropriate amendments or additions to the Manual.

Each OA's appropriate budget or accounting staff may also correspond directly with Federal oversight agencies for guidance. In these cases, OFM should be sent a copy of any correspondence between the OA and the Federal oversight agency. Any Standard General Ledger (USSGL) issues, however, must be submitted directly through the Department's Director of Accounting Policy.

1.02 SCOPE

All DOT OAs are required to comply with the standards addressed in this manual. Each OA, however, may define supplementary directives and standards to satisfy its unique needs, as long as they are consistent with Department-wide standards. Accounting events, which must be executed prior to updates to this manual or events that are not addressed in this Manual, should be enacted in accordance with authoritative guidance. The guidance in this manual is a means to:

- standardize DOT financial data and provide for intradepartmental data interchange;
- streamline processes for recording financial events and reporting financial information;
- enable OAs to apply common standards while providing flexibility to satisfy unique needs;
- promote uniform accounting processes to aid OAs in using the Department's financial management system, Delphi; and
- increase the reliability and consistency of financial information in DOT.

1.03 STATUTORY AND REGULATORY REQUIREMENTS

1.03.1 Publication and Citation of Statutory Authority

Independent verification of a statute's requirements outside of this Manual requires at least a basic understanding of how legislative acts are published and cited. Therefore, the following is a brief overview of the various official sources of enacted laws, specifically, public laws, and how they are cited.

Legislative Acts: A legislative act is a bill or joint resolution that has passed both chambers of Congress in identical form and has either been approved (signed) by the President or has been approved by Congress over a Presidential veto. Once a bill is approved, it is assigned a public law number[1] by the Archivist of the United States for publication. Public law numbers run in sequence starting anew at the beginning of each Congress and are prefixed for ready identification by the number of the Congress. For example, the tenth public law of the 106th Congress is Public Law 106-10 and is cited as Pub. L. 106-10.

Statutes At Large: At the end of each session of Congress, public laws are gathered together and published in the *Statutes at Large* in the order they were passed (chronologically). They are prepared by the Office of the Federal Register, National Archives and Records Administration, and provide a permanent collection of the laws of each session of Congress. However, there is no attempt to show amendments to the law through subsequent legislative acts. A citation referencing volume 104, page 327 in the Statutes at Large is 104 Stat. 327.

United States Code: The U.S.C. contains a consolidation and codification of the general and permanent laws of the United States, and is the official version of Federal statutory law. The U.S.C. is a fifty subject arrangement with each subject area being called a title (e.g. Money and Finance is Title 31). It contains the law as it is currently in effect. A reference to Title 31, Section 3514 of the U.S.C. is cited as 31 U.S.C. 3514.

The purpose of the U.S.C. is to present the laws of the Federal Government in a concise form without requiring recourse to the many volumes of the *Statutes at Large*. New editions are published every six years[2] and cumulative supplements are published after the conclusion of each regular session of Congress. Be aware that public laws are often chopped up and distributed among titles depending on the content. For example, most of the Americans with Disabilities Act (ADA) provisions are in Title 42 but some sections are in Title 47 and Title 29.

1.03.2 Statutes Affecting Accounting and Financial Management

Title 31, U.S.C.: Most statutes that govern Federal financial management, accounting, and the use of appropriated funds are found under Title 31 of the U.S.C., which was recodified on September 13, 1982 (Pub. L. 97-258; 96 Stat. 877) under the guidance of the Office of the Law Revision Counsel.[3]

A recodification of the U.S.C. is a compilation, restatement, and revision of the general and permanent laws of the United States that conforms to the understood policy, intent, and purpose of the Congress in

[1] Public law numbers are assigned to those public bills that have passed into law. A public bill addresses a matter of general interest to the Federal Government.
[2] The most recent publication occurred in 2000.
[3] The Office of the Law Revision Counsel is an office under the House of Representatives (2 U.S.C. 285).

the original enactments, with such amendments and corrections as will remove ambiguities, contradictions, and other imperfections both of substance and of form.[4]

A recodified title is legal evidence of the law and recourse to the *Statutes at Large* for evidentiary purposes is no longer necessary.[5] In addition, the courts will not read a substantive change into a recodification in the absence of evidence that Congress intended a substantive change.

1.03.2.a Partial Listing of Laws Codified Under Title 31 by Year of Enactment

The Antideficiency Act of 1870: Amended seven times since its inception, the Antideficiency Act is one of the major laws by which Congress exercises its constitutional control of the public purse. The basic reason for its enactment is so that Federal departments and agencies will be prevented from spending their entire appropriation during the first few months of the year. Government officials are warned not to make payments or commit the Government to make payments at some future time for goods or services, unless there are enough available appropriations.

The key provision of the Antideficiency Act is codified at 31 U.S.C. 1341(a)(1):

> An officer or employee of the United States Government or of the District of Columbia government may not—

(A) make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation;
(B) involve either government in a contract or obligation for the payment of money before an appropriation is made unless authorized by law;
(C) make or authorize an expenditure or obligation of funds required to be sequestered under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985; or
(D) involve either government in a contract or obligation for the payment of money required to be sequestered under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.

See *Administrative Control of Funds, Section 3* for further discussion of the Antideficiency Act.

Accounting and Auditing Act of 1950: This legislation (Pub. L. 81-784, 64 Stat. 832) established the following Government-wide policies for accounting and auditing:

- Accounting of the Government will provide full disclosure of the results of financial operations, adequate financial information needed in management of operations and the formulation and execution of budget, and effective control over income, expenditures, funds, property, and other assets.

- Full consideration will be given to the needs and responsibilities of the legislative and executive branches in the establishment of accounting and reporting systems and requirements.

[4] See 2 U.S.C. 285b (1).
[5] See GAO's *Principles of Federal Appropriations Law, Volume 1*: p.1-37 (GAO OGC-91-5, 1991).

- The executive branch will maintain accounting systems and produce financial reports with respect to the operations of executive agencies, including central facilities for bringing together and disclosing information on the results of the financial operations of the Government as a whole.

- Auditing for the Government will be conducted by the Comptroller General to determine the extent to which accounting and related financial reporting fulfills the purposes specified, to ensure that transactions have been consummated in accordance with laws, regulations or other legal requirements, and to determine the adequacy of internal financial controls over operations, and provide a basis for the settlement of accounts of accountable officers;

- Emphasis will be placed on effecting improvements that simplify and provide more effective accounting, financial reporting, budgeting and auditing, and eliminating requirements and procedures that are duplicative; and

- There will be a continuous program for the improvement of accounting and financial reporting in the Government.

Federal Managers' Financial Integrity Act (FMFIA) of 1982: This legislation (Pub. L. 97-255, 96 Stat. 814) amends the Accounting and Auditing Act of 1950 by adding a subsection that requires:

- executive agencies to establish internal accounting and administrative controls to prevent waste or misuse of agency funds or property and to assure the accountability of assets;

- the Director of the Office of Management and Budget (OMB), in consultation with the Comptroller General, to establish guidelines for reviewing such controls;

- the head of each executive agency to evaluate such controls annually and to submit to Congress and the President either a statement that the controls are adequate or a report on any weaknesses in such controls with a schedule for corrective measures, and make the statement or report available to the public, excluding any classified information; and

- each statement on accounting and administrative controls be accompanied by a separate report on the conformance of each agency's accounting system with standards prescribed by the Comptroller General.

The Prompt Payment Act of 1982: The Prompt Payment Act (Pub. L. 97-177, 96 Stat. 85) provisions:

- require payment for goods and services within 30 days;

- require Federal agencies to pay interest penalties on overdue payments to businesses for property or services (excluding disputed payments);

- require the OMB to prescribe required payment dates, including specified payment dates;

- specify procedures for computing such penalties;

- direct an agency to pay any interest penalty out of funds made available for the program for which the penalty was incurred;

- authorize Federal grant recipients to provide for the payment of interest penalties on overdue payments on their procurement contracts, except that Federal funds cannot be used to pay such penalties;

- entitle an agency to an early payment discount offered by a business only if payment is made within the prescribed time, and requires an agency to pay an interest penalty on any amount overdue;

- permit contractors to file claims under the Contracts Disputes Act of 1978 (Pub. L. 95-563, 92 Stat. 2383) for the payment of interest penalties, and prohibits the continued accrual of interest penalties after such a claim is filed or for more than one year; and

- direct each agency to report to OMB annually on interest penalty payments made during the fiscal year, and requires OMB to report to specified congressional committees on agency compliance with this Act.

The Debt Collection Act of 1982: This legislation (Pub. L. 97-365, 96 Stat. 1749, 1755) amends the Privacy Act of 1974 to permit a Federal agency to disclose individual records to a consumer reporting agency. It also:

- requires any person applying for a Federal loan to furnish their taxpayer identifying number;

- authorizes an agency to deduct installment payments from the pay of an employee or a member of the Armed Forces (or Reserve) to offset any debts owed the Government.

- makes murder or manslaughter of a Federal debt collector a Federal offense;

- amends the Internal Revenue Code to permit the Secretary of the Treasury to disclose to the head of a Federal agency administering any Federal loan program, whether an applicant for a loan has a tax delinquent account;

- applies safeguard requirements with respect to taxpayer mailing addresses to agents of Federal agencies retained for debt collection;

- allows the Government to collect claims by administrative offset beyond the six year statute of limitations on actions brought by the Government for money damages;

- amends the Federal Claims Collection Act of 1966 to direct each agency to charge a minimum annual rate of interest on outstanding debts and to assess a penalty charge and handling costs on delinquent claims;

- requires the Director of OMB to direct each agency with outstanding debts to submit an annual report to the Director and to Treasury, report to Congress annually on the management of agency debt collection activities; and

- authorizes the head of an agency to enter into a contract with any person for the collection of claims owed the United States.

The Single Audit Act of 1984: This legislation (Pub. L. 98-502, 88 Stat. 1561-1564) added a new chapter under title 31 of the U.S.C. that:

- establishes single financial audit requirements for State and local governments that receive $100,000 or more in Federal assistance in any fiscal year;
- establishes single financial audit requirements for State and local governments that receive in excess of $25,000 but less than $100,000 in Federal assistance in any fiscal year;
- declares that an audit conducted in accordance with the Single Audit Act shall be in lieu of any financial or financial and compliance audit of an individual Federal assistance program which a State or local government is required to conduct under any other Federal law or regulation;
- requires a Federal agency to conduct any additional audits necessary to carry out its responsibilities under Federal law or regulation;
- requires the Director of the OMB to prescribe regulations to implement the Single Audit Act;
- requires the Comptroller General to review provisions requiring financial or financial and compliance audits of recipients of Federal assistance that are contained in bills and resolutions reported by the congressional committees;
- declares that the provisions of the Single Audit Act shall apply to any State or local government with respect to any of its fiscal years which begin after December 31, 1984; and
- requires the Director of OMB to submit to Congress an annual report on operations of such audits, identifying each State or local government which is failing to comply.

The Cash Management Improvement Act of 1990: This legislation (Pub. L. 101-453, 104 Stat. 1058, 1059) amends Federal law to require each head of an executive agency to provide for the timely disbursement of Federal funds through cash, checks, electronic funds transfer, or any other means identified by the Secretary of the Treasury. The Act also:

- revises provisions regarding intergovernmental transfers of funds and provides for the payment of interest on such funds until the time that they are disbursed;
- directs the Secretary of the Treasury to make all reasonable efforts to enter into an agreement with each State relating to procedures and requirements for transfers of funds between executive agencies and States; and
- requires the Comptroller General to report to the Congress on an audit of the implementation of cash management procedures set up by the Federal/State agreements.

The Chief Financial Officers (CFO) Act of 1990: This legislation (Pub. L. 101-576, 104 Stat. 2838) established:

- a Deputy Director for Management within the OMB who is the chief official responsible for financial management in the Federal Government. 31 U.S.C. 502(c);

- an office of Federal Financial Management under the direction and control of the new Deputy Director for Management. 31 U.S.C. 504(a);

- a Chief Financial Officer (31 U.S.C. 901) and a Deputy CFO, who shall report directly to the CFO on financial management matters (31 U.S.C. 903), in each executive department and in each major executive agency in the Federal Government; and

- a Chief Financial Officers Council that meets periodically to advise and coordinate the activities of their agencies on such matters as consolidation and modernization of financial systems, improved quality of financial information, financial data and information standards, internal controls, legislation affecting financial operations and organizations, and any other financial management matter.

The Government Performance and Results Act (GPRA) of 1993: This legislation (Pub. L. 103-62, 107 Stat. 285) has the following purpose:

- Improve the confidence of the American people in the capability of the Federal Government, by systematically holding Federal agencies accountable for achieving program results.

- Initiate program performance reform with a series of pilot projects in setting program goals, measuring program performance against those goals, and reporting publicly on their progress.

- Improve Federal program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction.

- Help Federal managers improve service delivery, by requiring that they plan for meeting program objectives and by providing them with information about program results and service.

- Improve congressional decision making by providing more objective information on achieving statutory objectives, and on the relative effectiveness and efficiency of Federal programs and spending.

- Improve internal management of the Federal Government.

Strategic Plans: The GPRA is the primary legislative framework through which agencies will be required to set strategic goals, measure performance, and report on the degree to which goals were met. It requires each executive agency to develop, no later than the end of fiscal year 1997, strategic plans that cover a period of at least five years and include the agency's mission statement; identify the agency's long-term strategic goals; and describe how the agency intends to achieve those goals through its activities and through its human, capital, information, and other resources.

Annual Performance Plans: The GPRA requires each executive agency to submit to OMB, beginning for fiscal year 1999, an annual performance plan. The annual performance plan is to provide a direct link between the strategic goals outlined in the agency's strategic plan and what managers and employees do day-to-day. In addition, each executive agency must submit to the President and to the appropriate authorization and appropriations committees of Congress an annual report on program performance for the previous fiscal year.

Federal Financial Management Act (FFMA) of 1994: FFMA is the short title to Title IV of the Government Management Reform Act (GMRA) of 1994 (Pub. L. 103-356, 108 Stat. 3410). The FFMA:

- mandates required direct deposit for all Federal wage, salary, and retirement payments;
- authorizes the Director of OMB to adjust the frequency and due dates of or consolidate any statutorily required reports of agencies to OMB, the President, or Congress under any laws for which the OMB has financial management responsibility;
- amends 31 U.S.C. 3515 to require each executive agency head to submit to the Director of OMB an audited financial statement starting with fiscal year 1994, and due no later than March 1 after each fiscal year;
- amends 31 U.S.C. 3521(f) to require auditors of an agency's financial statements to submit a report on the audit to the head of the agency; and
- amends 31 U.S.C. 331 to require, beginning with fiscal year 1997, the Secretary of the Treasury to annually prepare and submit to the President and the Congress a government-wide financial statement, audited by the Comptroller General, for the preceding fiscal year no later than March 31 of the following year.

Federal Financial Management Improvement Act (FFMIA) of 1996: This Act was legislated under Title VIII, of the Omnibus Consolidated Appropriations Act, 1997. (Pub. L. 104-208, 110 Stat. 3009) The FFMIA was enacted to:

- provide for consistency of accounting by an agency from one fiscal year to the next, and to provide for uniform accounting standards throughout the Federal Government;
- require Federal financial management systems to support full disclosure of Federal financial data, including the full costs of Federal programs and activities, to the citizens, the Congress, the President, and agency management, so that programs and activities can be considered based on their full costs and merits;
- increase the accountability and credibility of Federal financial management;
- improve performance, productivity and efficiency of Federal financial management;
- build upon and complement the CFO Act of 1990, the Government Performance and Results Act of 1993, and the Government Management Reform Act of 1994; and
- increase the capability of agencies to monitor execution of the budget by more readily permitting reports that compare spending of resources to results of activities.

OMB Guidance[6] states: "The Federal Financial Management Improvement Act of 1996…goes well beyond the requirements under the Government Management Reform Act that require agencies to publish annual audited financial statements. It is intended to provide the basis for ongoing use of reliable financial information in program management and in oversight by the President, the Congress and the public." The Guidance goes further to say that the FFMIA fundamentally does three things:

- Establishes in statute certain financial management system requirements that are already executive branch policies. Specifically, section 803(a) of the FFMIA requires each agency to implement and maintain systems that comply substantially with:
  - Federal financial management system requirements,
  - applicable Federal accounting standards, and,
  - the USSGL at the transaction level;
- Requires auditors to report on agency compliance with the three stated requirements as part of financial statement audit reports; and
- Requires agency heads to determine, based on the audit report and other information, whether their financial management systems comply with the FFMIA. If they do not, agencies are required to develop remediation plans and file them with OMB.

1.03.3 Accounting and Financial Management Policy Oversight

In the areas of accounting and financial management, Congress delegates much of its rulemaking authority to executive and legislative agencies. By various laws, Congress mandates to specific central agencies the establishment and issuance of specific accounting and reporting principles, standards, and guidelines for other Federal departments and agencies. These agencies include the General Accounting Office (GAO), OMB, and Department of the Treasury.

General Accounting Office: Congress created the GAO with the Budget and Accounting Act of 1921, transferring auditing responsibility, accounting, and claims functions from the Department of the Treasury. GAO supports Congress by helping improve the performance and ensuring the accountability of the Federal Government. Congress declares by law that the GAO shall investigate all matters within the Federal Government related to the receipt, disbursement, and use of public money. These responsibilities also require the GAO to make investigations and audits of Federal agencies and to report on any findings to Congress. GAO's responsibilities also include the publication of guidance on such subjects as accounting and account classifications; uniform financial terminology, data definitions, and codes for suggested reporting formats; budgetary, accounting, and program-related data; and other information.

Office of Management and Budget: Congress created the OMB (originally called the Bureau of the Budget) with the same legislation that created the GAO – the Budget and Accounting Act of 1921. OMB's main mission is to assist the President in overseeing the preparation of the Federal budget and to supervise its administration in executive agencies.

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[6] See OMB Guidance *Revised Implementation Guidance for the Federal Financial Management Improvement Act* (January 4, 2001).

In addition, OMB oversees and coordinates the Administration's procurement, financial management, information, and regulatory policies. In each of these areas, OMB's role is to help improve administrative management, to develop better performance measures and coordinating mechanisms.

A principal medium through which the OMB publishes financial management policy to departments and agencies is a system of OMB Circulars and Bulletins.[7] These consist of rules, regulations, and directives that detail how operating departments and agencies are to implement legislation. Circulars are issued when the nature of the subject is to be of continuing effect until rescinded or superseded. Bulletins are used when either the nature of the subject requires a single or ad hoc action by Federal departments and agencies, or when the issue is transitory.

Department of the Treasury: Congress created the Treasury Department through law (1 Stat. 65), which passed in 1789. The Treasury has been given extensive fiscal and accounting responsibilities by Congress. Treasury is responsible for assigning receipt, expenditure, basic working fund, and official deposit account symbols and titles. It is the official fiscal agency of the Federal Government.

The Financial Management Service (FMS), one of twelve Treasury bureaus, is the Federal Government's financial manager. It receives and disburses public moneys, maintains government accounts, prepares daily and monthly reports on the status of government finances.

The Treasury promulgates guidance on specific subjects through a series of numbered Notices and Circulars. Continuing guidance is also set forth in the Treasury Financial Manual.

1.03.3.a The Federal Accounting Standards Advisory Board (FASAB)

As early as 1950, Congress directed the Comptroller General, in consultation with OMB and Treasury, to prescribe accounting principles and standards to be used by executive agencies in developing their accounting systems.[8] In response to that legislation, the GAO issued accounting standards in its *Policy and Procedures Manual for Guidance to Federal Agencies* (Title 2).[9] But, because of subsequent constitutional questions, the Legislature's authority to set accounting standards for executive agencies was never fully acknowledged. Thus, GAO, OMB, and Treasury never reached agreement on accounting standards.

With the passing into law of the Chief Financial Officers Act of 1990, Congress assigned to the Director of OMB significant responsibilities for establishing policies and procedures for approving and publishing accounting principles and standards for all Federal agencies. In effect, Congress had legislated joint responsibility for Federal accounting standards development to OMB, through the Chief Financial Officers Act of 1990, and GAO, through the Accounting and Auditing Act of 1950.

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[7] In particular, see Circulars A-11, *Preparation, Submission and Execution of the Budget*; A-123, *Management Accountability and Control*; A-127, *Financial Management Systems*; and Bulletin 01-09, *Form and Content of Agency Financial Statements*.
[8] See Accounting and Auditing Act of 1950, *Section 1.03.2.a*.
[9] Prior to the creation of FASAB, Title 2, Appendix 1, of the GAO' s *Policy and Procedures Manual for Guidance of Federal Agencies* contained thirty-nine accounting principles and standards; of those thirty-nine standards, six continue to be in effect. See GAO's *Accounting Principles, Standards, and Requirements, Title 2 Standards Not Superceded by FASAB Issuances* (November 2001, GAO-02-248G).

In addition, the Secretary of the Treasury, as cabinet member that oversees collection and disbursement of all Federal moneys, has constitutional and congressional mandates to prepare reports to inform the President, Congress, and the public of the financial operations and condition of the Government. [10]

In conjunction with passage of the CFO Act of 1990, these three officials established the Federal Accounting Standards Advisory Board (FASAB) as a Federal advisory committee to develop unified accounting standards and principles for the Federal Government. In 1999 the American Institute of Certified Public Accountants (AICPA) designated FASAB as the body that promulgates accounting principles generally accepted in the United States (GAAP) for Federal agencies. The importance of this is that the accounting standards and principles promulgated by FASAB are recognized by certified public accountants and non-Federal users of Federal financial information.

The FASAB develops accounting concepts and standards after considering the results of due process procedures.[11] If none of the FASAB Sponsors[12] object to the specifics of the concept or standard being developed, the concept or standard is published by FASAB and announced in the *Federal Register*, thereby becoming officially effective.

Hierarchy of Federal Accounting Standards: As previously noted, the AICPA has recognized FASAB as the body that promulgates GAAP for Federal reporting entities.[13] As a result, the AICPA's Auditing Standards Board established the following GAAP hierarchy for Federal agencies (from most to least authoritative):[14]

1. **FASAB Concepts, Statements and Interpretations**, and AICPA and FASB pronouncements if made applicable to Federal Government entities by FASAB Statements and Interpretations.

    Using a due process and a consensus-building approach, FASAB promulgates accounting standards through its statements and interpretations after considering the financial and budgetary information needs of the Congress, executive agencies, other users of Federal financial information, and comments from the public.

    Interpretations clarify original meaning, add definitions, and provide other guidance for existing SFFAS. They are narrow in scope. FASAB will respond to requests for guidance by providing technical assistance, including, in some cases, interpretations.

2. **FASAB Technical Bulletins**, and, if specifically made applicable to Governmental agencies by the AICPA and cleared by the FASAB, AICPA Industry Audit and Accounting Guides, and AICPA Statements of Position.

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[10] Article I, Section 9 of the Constitution provides that "No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law; and a regular Statement of Account of the Receipts and Expenditures of all public Money shall be published from time to time." See also 31 U.S.C. 3513(a).

[11] The FASAB, consisting of 10 members from both public and private sectors, is subject to the Federal Advisory Committee Act (Title 5A, U.S.C.) and follows rules of procedure and due process that at a minimum meet the requirements of the Act.

[12] The FASAB Sponsors consist of the Comptroller General, Director of OMB, and Secretary of the Treasury.

[13] See also OMB Circular A-134, *Financial Accounting Principles and Standards* (May 1993).

[14] See the Auditing Standards Board's published *Statement on Auditing Standards* (SAS) *91, Amendment to Statement on Auditing Standards 69, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles in the Independent Auditor's Report*.

FASAB technical bulletins provide guidance for applying statements and interpretations and resolving issues not directly addressed by them. Technical bulletins are used when the nature of an issue does not warrant more extensive due process. They are generally in question and answer format.

3. **FASAB's Accounting and Auditing Policy Committee (AAPC) Technical Releases** and, if specifically made applicable to Federal Governmental entities by the AICPA and cleared by the FASAB, AICPA Accounting Standards Executive Committee (AcSec) Practice Bulletins.

   The Accounting and Auditing Policy Committee (AAPC) provides implementation guidance for accounting standards, for the OMB's Form and Content guidance, and for audit issues. The AAPC provides guidance through technical releases that are reviewed and published by the FASAB and announced originally in the Federal Register.

4. **FASAB Implementation Guides** as well as practices widely recognized and prevalent in the Federal Government.

   In the absence of a FASAB Statement, Interpretation, Bulletin, or Release, implementation guides published by FASAB staff, as well as other accounting practices that are widely recognized and prevalent, such as other FASB principles not specifically made applicable to Federal entities; Governmental Accounting Standards Board (GASB) Statements, Interpretations, Technical Bulletins, and Concept Statements or; pronouncements of other professional associations or regulatory agencies may be used as further sources.[15]

1.03.4 Executive Branch Initiatives

President's Management Agenda: President Bush released his Administration's management agenda in August 2001. The five-part agenda is an integrated set of management reforms designed to meet his commitment to create a government that is results-oriented, citizen-focused, and market-based.

Working with the President's Management Council, the OMB has developed standards for success in each of the five government-wide initiatives: Strategic Management of Human Capital; Expanded Electronic Government; Competitive Sourcing; Improved Financial Performance; and Budget and Performance Integration.

For FY 2004, OMB's criteria for improving the Department's financial performance are:

- Make OMB's November 15th financial statement submission deadline.
- Earn a clean audit opinion.
- Avoid any new antideficiencies.
- Integrate financial systems (Delphi and PRISM).

[15] Any application within the Department of standards, practices, or procedures that are said to be widely recognized must first be submitted to and approved by the Department's Director of Accounting Policy through a formal memorandum.

- Demonstrate that DOT managers are using financial and performance data to manage their programs.

OMB's financial performance indicators that the Department must meet in order to get green on the President's Management Agenda are:

- Reconciliation of cash balances with Treasury.
- Cleared suspense accounts every 30 days.
- Delinquent receivables collected.
- Ninety percent of all payments are through electronic funds transfer (EFT).
- Payments are aged and made on time.
- Interest penalties are reduced.
- Travel card delinquencies are reduced.

SECTION 2: ACCOUNTING STRUCTURE

This section describes:

- Federal Account Symbols used by DOT.
- Treasury's USSGL.
- Accrual Basis of Accounting used by DOT.

2.01 FEDERAL ACCOUNT SYMBOLS

Federal account symbols represent, by agency and bureau, individual appropriations, receipts, and other fund accounts. Agencies post appropriations or spending authorizations granted by Congress to these accounts. Treasury Financial Management Service, in collaboration with OMB and DOT OAs assigns, amends, changes, and discontinues account symbols and titles.

Account symbols are the basis for reporting the Government's financial transactions. They are classified as receipt or expenditure accounts and assigned to a fund group based on their characteristics and the nature of the transactions they support. FMS and OMB classify transactions within funds groups by assigning numeric or alphanumeric account symbols (or combinations thereof). Account symbols are assigned to agencies after considering the Government's relationship to the account, the source of the receipt and the availability of the fund for expenditure.

For online guidance on Federal account symbols including information on establishing, changing, and removing account symbols reference Treasury Financial Manual, Volume I, 2-1500, *Description of Accounts Relating to Financial Operations* found at http://www.fms.treas.gov/tfm/index.html.

FMS provides a listing of all assigned symbols and titles in the *Federal Account Symbols and Titles (FAST) Book*, a Treasury Financial Manual (TFM) Volume I supplement. See the Contacts page therein. To access an online version of the FAST Book may be found at http://www.fms.treas.gov/fastbook.

2.01.1 Receipt Accounts

- General Fund Receipt Account (0000-2900): The receipt account credited with all collections not earmarked by law for a specific purpose. These include: taxes, customs duties, and miscellaneous receipts.
- Clearing Accounts (3800-3899): FMS establishes clearing accounts to temporarily hold unidentified general, special, or trust collections that subsequently will be credited to the proper receipt or expenditure account of the Federal entity.
- Special Fund Receipt Accounts (5000-5999): Receipt accounts credited with collections that are earmarked by law for a specific purpose, unless there is specific statutory authority to credit collections directly to an expenditure account.

- Trust Fund Receipt Accounts (8000-8999): Receipt accounts credited with collections generated by the terms of a trust agreement or statute that designates a fund as a trust fund.

Normally, receipt account symbols consist of six digits, except for receipt clearing accounts and available receipt accounts. The first two digits identify the agency administratively responsible for the receipts. DOT's two digit classification is 69. The last four digits identify the account within that fund group.

2.01.2 Expenditure Accounts

- General Fund Expenditure Accounts (0000-3799): Appropriation accounts established to record amounts appropriated by law for the general support of Federal Government activities and the subsequent expenditure of these funds.

- Clearing Accounts (3800-3899): Account used as a temporary suspense until later paid by or refunded into another account or when the Government acts as a banker or agent for others.

- Management Fund Accounts (3900-3999): These accounts are used as working fund accounts and are authorized by law to facilitate accounting for administration of intragovernmental activities other than a continuing cycle of operations.

- Revolving Fund Accounts (Public 4000-4499; Intragovernmental 4500-4999): Appropriation accounts authorized to be credited with collections, primarily from outside the Government that are earmarked to finance a continuing cycle of business-type operations.

- Special Fund Expenditure Accounts (5000-5999): Appropriation accounts established to record amounts of special fund receipts appropriated by law for specific programs and the subsequent expenditure of the fund.

- Deposit Fund Accounts (6000-6999): These accounts are used to record money that does not belong to the Federal Government.

- Trust Fund Expenditure Accounts (8000-8399 and 8500-8999): Appropriation accounts established to record appropriated amounts of trust fund receipts to finance specific purposes or programs under a trust agreement or statute.

- Trust Revolving Fund Accounts (8400-8499): Appropriation accounts authorized to be credited with collections and used to carry out a cycle of business-type operations in accordance with a statute.

Expenditure account symbols consist of seven or more digits. The first two digits identify the agency responsible for the account (69 for DOT). The next digits or characters represent the period of availability for obligation. The last four digits identify the specific account by fund group. For further guidance, see Treasury Financial Manual, Volume I, 2-1500, *Description of Accounts Relating to Financial Operations* at http://www.fms.treas.gov/tfm/index.html.

2.01.3 Identifying the Period of Availability

The account symbol designates the period of availability for incurring obligations as follows:

- Annual appropriations—A single digit (0 through 9) indicates the fiscal year of availability for incurring obligations of a 1 year appropriation (20 0 1234).

- Multiple year appropriations—Two digits separated by a slash (/) indicate a multiple-year appropriation for incurring obligations for a definite period in excess of 1 fiscal year. The digit preceding the slash indicates the first fiscal year of availability, and the digit immediately following the slash indicates the final fiscal year of availability (20 0/1 1234).

- No-year appropriations—An "X" indicates a no-year appropriation that is available for obligations for an indefinite period of time (20 X 1234).

2.01.4 Allocation (Transfer Appropriation) Accounts

FMS establishes these accounts to receive (and subsequently obligate and disburse) allocations created as nonexpenditure transactions. These accounts carry symbols identified with the original appropriation from which moneys were advanced. A transfer appropriation account is symbolized by adding the receiving agency's department prefix to the original appropriation or fund account symbol. A bureau suffix identifies that the transfer is to a particular bureau within the receiving department. For example, 69-14X1039.010 represents a transfer of funds that were initially appropriated to department 69 (Transportation) and allocated to bureau 10 (National Park Service) within department 14 (Interior).

2.02 USSGL

The Federal Government has adopted a standard chart of accounts to be used by all executive agencies. The USSGL objective provides a common accounting structure that will standardize financial information accumulation and processing, enhance financial control, and support budget and external reporting. The USSGL is intended to enable the central oversight agencies to more accurately consolidate accounting data derived from individual agency accounting systems. The USSGL with agency-unique subsidiary accounts provides an integrated accounting and reporting structure.

The USSGL accounting must be used by OAs and each OA shall comply with the USSGL including the use of appropriate accounts and established accounting scenarios.

2.02.1 USSGL Organization

With the introduction of Delphi, there are now major account categories in the DOT general ledger (G/L). The Department's G/L mirrors the USSGL account categories. The basic USSGL accounts are as follows:

USSGL 1000	Assets
USSGL 2000	Liabilities
USSGL 3000	Net Position
USSGL 4000	Budgetary
USSGL 5000	Revenue
USSGL 6000	Expense
USSGL 7000	Other Gain, Losses, Adjustment, and Miscellaneous Items
USSGL 8000	Memorandum

The account categories are classified as either proprietary or budgetary in nature. The Federal Government has mandated the maintenance of the budgetary (4000 series) accounts as an integrated part of the USSGL chart of accounts. This accounting concept differs from private industry where the budgetary process is not recorded as a formalized part of the financial (proprietary) accounting requirement.

The term proprietary refers to assets, liabilities, net position, revenue, other financing sources, and expenses. Three of the proprietary account categories are called nominal accounts. These nominal accounts are Expense, Revenue and Other Gains and Losses. Nominal accounts are those proprietary accounts that are closed at the end of each accounting period or fiscal year. The assets, liabilities, and net position accounts are called real accounts; Real Accounts are balance sheet accounts that, after entering amounts into them, remain open and available throughout the years.

2.02.2 USSGL Account Structure

An integrated budgetary/proprietary account structure is the basis for the chart of accounts. The term budgetary refers to accounting that meets the fiscal requirements of appropriation management. Each transaction must be individually accounted for from the issuance of an Appropriation Warrant, which is issued by the Department of the Treasury, through the remainder of the budget cycle. For further guidance, see *Administrative Control of Funds, Section 3*.

2.02.3 USSGL Goals

The goals of the USSGL are to:

1. Provide independent control over all assets, liabilities, revenues, expenses, and budgetary resources.

2. Provide management with the capability to develop accurate and complete financial data, including total operating expenses and total acquisitions cost of real and personal property.

3. Establish an account structure for the integration of budgetary and proprietary accounting.

4. Achieve uniform treatment of similar transaction.

5. Establish accounting control of all resources throughout the business cycle.

6. Provide appropriation and fund data needed to meet the requirement of the central fiscal agencies, such as the Treasury Department and OMB.

7. Assure compliance with Federal generally accepted accounting principles.

2.03 ACCRUAL BASIS OF ACCOUNTING

The Department records all financial transactions under the accrual basis of accounting. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when incurred (goods are received and services performed even though the receipt of the revenue or the payment of the expense may take place, in whole or part, in another accounting period). The accrual basis of accounting can contribute materially to effective financial control over resources and cost of operations, and it is essential to the development of adequate cost information.

The importance of accrual accounting has long been recognized. It is not just a method of accounting preferred by the accountants but also a managerial necessity. In 1956, accrual accounting was mandated as law for all government agencies in an unnamed enactment, later codified as 31 U.S.C 3512(d). All subsequent regulatory and administrative guidance from the GAO to Treasury has specifically required the use of accrual-basis accounting principles.

Accruals are based on estimations attested to by management. Based on various analyses, management should be able to estimate the amount of accruals even when invoices are not readily available. **The estimate is subsequently reversed at the beginning of the next accounting period and the validated invoices are processed for the remainder of the period.** At the end of the accounting period, the same procedure is repeated over again. (Note: Accrual amounts are for the accounting period only, they should not extend beyond the end of the period.)

Materiality: Each OA should establish materiality thresholds with their audit group and the Office of Inspector General (OIG) to ensure that appropriate accruals are made in each reporting period. The accruals made and thresholds established should be submitted to OFM once a year or when any changes are made.

2.03.1 Monthly Accruals

In order for the monthly financial statements submitted by each OA to accurately reflect all financial events that have occurred as of the end of each month, accruals must be recorded in Delphi at the end of each month (regardless of whether supporting documentation (e.g. invoices) have been received or sent as of the end of the month. All accruals should be accrued on a monthly basis. This provides a true and accurate reporting of the entity's financial position.

Accruals will be either temporary or permanent and be made at the end of each month that service was rendered. At the beginning of the following month, the accruals that are deemed temporary will be reversed out. Those accruals that are deemed permanent will not be reversed. Accruals should not produce abnormal G/L account balances and any abnormal balances should be corrected prior to submitting financial statement balances or should be explained.

OAs should try to make their accruals as accurate as possible based on actual events. A review of open obligations will facilitate the search for accruals. However, due to timing differences or uncertainty, some information will not be available to make these accruals; therefore, the use of estimates should be used. These estimated accruals should be carefully analyzed and compared with subsequent actual numbers to ensure that the accrual process is continuously refined to improve accuracy.

The Delphi financial system will automatically estimate some of the accruals programmatically through two and three-way matches. To minimize the number of manual accruals being made, it is imperative that all invoices, receiving reports, and purchase orders be entered into the Delphi prior to month-end, so that the accrual will be made programmatically. The remaining accruals will be estimated manually. **Accruals will be made in Delphi through Application Desktop Integrator (ADI) templates, recurring journals, or journal entries. These accruals will be recorded in Delphi at the G/L level or project level prior to the close of each month**.

All manual accruals will be made at the appropriate organization code/cost center and must be approved by a supervisor before being posted to Delphi. Documentation to support accruals will be retained in the accounting office.

2.03.2 Types of Financial Accruals (See Treasury's Financial Manual for associated budgetary accounts)

Accrued Revenue: Accrued revenue earned (Reimbursements and Other Income Earned) during a given period is budgetary resources used resulting from (1) goods and other tangible property delivered to purchasers or their agent; (2) services performed by an agency under reimbursable agreements; and (3) amounts owed to the Federal Government for which no current performance by the government is required. Accrued Revenues may include:

- Revenue from Goods Sold (USSGL 5100)
- Revenue from Service Provided (USSGL 5200)
- Interest Revenue – Other (USSGL 5310)
- Insurance and Guaranty Premium Revenue (USSGL 5500)
- Tax Revenue Collected (USSGL 5800)
- Other Revenue (USSGL 5900)
- Accrued Collections for Others (USSGL 5991)

Accrued Expenses: Accrued Expenses are the value of goods or services actually used or consumed during the current period. Expenses are recognized in period in which they occur even if payment for them is made in a different period. Accrued Expenses may include:

- Operating Expenses/Program Costs (USSGL 6100)
- Interest Expense (USSGL 6310 ,6320, 6330)
- Benefit Expense (USSGL 6400)
- Depreciation, Amortization, and Depletion (USSGL 6710)
- Bad Debt Expense (USSGL 6720)
- Future Funded Expenses (USSGL 6800)

Accrued Liabilities: A liability must be recognized when contractors perform work for an entity, based on the constructive receipt of goods and services, sometimes prior to physical delivery of the goods or services; or acceptance by the entity. Under these circumstances, liabilities should be recorded on the basis of reported performance of services or work, rather than on invoices received.

- Accounts Payable (USSGL 2110)

- Accrued Interest Payable (USSGL 2140)
- Loan Guarantee Liability (USSGL 2180)
- Other Accrued Liabilities (USSGL 2190)
- Accrued Payroll and Benefits (USSGL 2210)
- Actuarial Liabilities (USSGL 2610 to 2690)
- Contingent Liabilities (USSGL 2920)
- Capital Lease Liability (USSGL 2940)
- Liability for Subsidy Related to Undisbursed Loans (USSGL 2950)
- Estimated Cleanup Cost Liability (USSGL 2995)
- Other Liabilities (USSGL 2990)

Accrued Obligations: Obligations should be accrued for: services performed by employees, contractors, vendors, carriers, grantees, lessors, and other government funds; goods and tangible property received; and programs for which no current service performance is required such as annuities, insurance claims, benefit payments, loans, etc.

- Delivered Orders – Obligations, Unpaid (USSGL 4901)

This includes the portion of goods and services that have been delivered, constructed, or completed when the following conditions apply:

- The vendor has not yet invoiced.
- The vendor has invoiced, but the government has not yet received the invoice.
- The invoice has been received, but has not been validated as a correct/complete invoice for processing purposes.
- The invoice has been validated, but has not been processed into the Delphi for payment.

2.03.3 Preparation of Accrual 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 but not invoiced as of September 30 could be 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 to perform an analytic review to ensure that the accruals are reasonable and appropriately covers all expense, revenue and other types of transactions.

Additional procedures would verify that the estimated accruals recognized by the OAs are large enough to cover transactions related to the prior period, both individually and in total, and that all significant types of activity were considered in developing the accrual.

The following components are required in developing or documenting estimates:

- Document methods and assumptions for the estimate.
- Assure the methodology is reasonable and approved by management. The methodology may include historical trend analysis, application of ratios, stratification, etc.
- Analyze and support assumptions.
- Define data elements that are vital to the methodology.
- Test actual data to estimates periodically.
- Identify exceptions to the assumptions by considering any subsequent events.
- Include any known or projected program fluctuations and increase the range of historical data if large fluctuations are anticipated or occur.
- Assess the validity of historical data.
- Determine which estimates must be process-specific.
- Demonstrate that the aggregate values below any established threshold are immaterial.
- After month-end compare accruals to actual to ensure that monthly accruals are as accurate as possible.

2.03.4 Accrual for Contingent Liabilities

For guidance on accruing payroll, unfunded leave, grant, and pension liabilities, see *Accrual for Contingent Liabilities, 5.01.2.f.*

SECTION 3: ADMINISTRATIVE CONTROL OF FUNDS

3.01 FUNDS CONTROL

3.01.1 Purpose

This section establishes policy and prescribes a system for the administrative control of all funds in the Departmental offices and OAs. This system of administrative control enables the Secretary of Transportation (Secretary) to identify the individual responsible for any obligation or expenditure exceeding the amount available in the appropriation or fund account, the OMB apportionment or reapportionment, the allotments or suballotments made by the OA, any statutory limitations, and any other administrative subdivision of funds made by the agency. It also enables the Secretary to promptly report to the President and to the Congress on those violations required by statute to be so reported.

Administrative control of funds is designed to restrict obligations and expenditures (disbursements) to the amount available in each appropriation or fund account. Both obligations and expenditures from each appropriation or fund account are restricted to *the lower of* the amount of apportionment made by OMB or the amount available for obligation and/or expenditure in the appropriation or fund account.

Lastly, this section provides procedures for dealing with violations of the Antideficiency Act as well as violations of other administrative subdivision of funds that are not violations of the Antideficiency Act, *per se*.

3.01.2 Authority

Title 31, United States Code (Money and Finance):

- Sections 1341-1342, 1349-1351, 1511-1519 (part of the Antideficiency Act, as amended).
- Sections 1101, 1104-1108, 3324 (part of the Budget and Accounting Act, 1921, as amended).
- Sections 1501-1502 (part of section 1311 of the Supplemental Appropriations Act of 1950).
- Sections 1112, 1531, 3511-3512, 3524 (part of the Budget and Accounting Procedures Act of 1950).
- Title X of Public Law 93-344 (2 U.S.C. 681-688).
- Part 4 of OMB Circular No. A-11, *Instructions on Budget Execution*, and related OMB guidelines.

3.01.3 Scope

The provisions of this section apply to all organizations, appropriations, and funds controlled by the Department of Transportation.

3.01.4 Responsibilities and Functions of Individuals

3.01.4.a General

In accordance with OMB Circular A-11, and 31 U.S.C. 1514, the Secretary is responsible for prescribing a system of administrative control of funds. The Secretary has delegated to the Chief Financial Officer (CFO), the responsibility for establishing and maintaining a system of funds control in accordance with the criteria and policies set forth in this section. The CFO is also responsible for developing and prescribing accounting systems (currently Delphi) that will provide for prompt and accurate recording in the official accounts of all financial transactions having an effect on apportionments and other sub-divisions of funds.

The CFO has oversight responsibility for budgeting and management of financial resources to assure optimum utilization of funds in carrying out programs of the Department; coordinating administrative management matters with other departments and agencies; providing for budget coordination and liaison with OMB; providing central liaison for the Department with the Appropriations Committees of the Congress; and otherwise representing the Department on such matters with public or private groups.

3.01.4.b Responsibility

Allotter: Each individual assigned responsibility for issuing allotments is responsible for limiting the amounts made available for obligation and/or outlay to the amounts apportioned or otherwise authorized by law.

Allottee: Each individual receiving an allotment of funds is responsible for restricting obligations and/or outlays to the amounts available in such allotment.

3.01.4.c Delegations of Authority

The Department's Director of Budget and Program Performance is authorized to establish and maintain a close working relationship with OMB and the Budget and Appropriations Committees of the Congress. The Director is also delegated responsibility for budget formulation, guidance for and monitoring of budget execution, management analysis, and reporting on the status of program operations.

The Director of OFM is responsible for developing an integrated Departmental accounting system (Delphi) that meets the administrative control of funds requirements contained in the Joint Financial Management Improvement Program (JFMIP) Core Financial System Requirements. The system and other control procedures developed by the Director must support an integrated process that will:

- provide budget execution capability by recording the funding and related budget execution documents;
- establish and track the use of funds against limitations assigned;
- track the use of these funds through operating or financial plans;

- maintain current information on commitments and obligations according to the classification structure, on a fund-by-fund basis; and

- provide for certification of funds availability prior to the issuance of a commitment, obligation, or expenditure.

Heads of OAs are responsible for:

- assuring that operations are maintained within the limits of approved operating budgets;

- obtaining approvals from OMB (*see Guidance for Situations not within Manual, Section 1.01*);

- complying with congressional requirements regarding reprogramming actions;

- designating budget officers responsible for preparing and submitting, on a timely basis, apportionment plans and prescribed program backup and reports, and other required data; and

- developing procedures to provide financial and employment data needed in order to submit management reports to the Department on a timely basis, and forwarding the required data to the OA's CFO for resolution of problems.

Accounting, budget, and program officials at all Department organizational levels are responsible for cooperating in maintaining efficient use of funds within the limitations of administrative control and, when applicable, for calculating credit program subsidies in accordance with OMB guidelines.

It is essential that bureau program officials having budget responsibilities consult with their budget officer, the OA's CFO, and/or OA's legal counsel when it appears that there may be problems in meeting the requirements of any law governing administrative controls with a view toward resolving the problems before they become violations of the Act.

3.01.5 Apportionments

3.01.5.a General

Funds control must occur in Delphi at the lowest level of apportionment and must be entered into Delphi by budget staff. Specific requirements for apportionments and reapportionments are contained in OMB Circular A-11, Part IV. All accounts must be apportioned except as provided in Part IV of Circular A-11. Supporting material for apportionment requests should show planned spending by program activities unless otherwise specified by OMB program staff. The authority to request apportionment or reapportionment of all Departmental funds by OMB has been delegated to the Department's CFO, who has in turn re-delegated that authority to the Director of Budget and Program Performance.

- All general fund appropriations, special and trust fund accounts, and public enterprise fund accounts that have amounts available for obligation must be apportioned unless specifically exempted by OMB. Amounts to be apportioned must include amounts to be reimbursed to the appropriation or fund. Funds may be exempted from apportionment by either OMB, by general regulation, or by specific administrative action.

- Separate apportionments are required in cases when an appropriation commingles one year and multiple year funds and separate accounts are established by the Treasury for each fund. New apportionment action is required for budgetary resources available beyond the end of the fiscal year.

- Apportionment and reapportionment requests must be prepared in the manner prescribed by OMB Circular A-11 by each organizational unit for the review and approval by the OA's Director of Budget. OMB action on apportionment requests will be coordinated by the Office of Budget who will forward the original of the OMB apportionment action to the organizational unit.

- The OA's Budget Office is responsible for forwarding a copy of the approved apportionment schedule (SF 132) to the accounting office servicing the organizational unit. The approved SF 132 is the authorizing document for opening prescribed G/L accounts for the administrative control of funds.

For guaranteed loan programs, the loan level will be apportioned based upon new loan commitments supportable by the subsidy budget or, in the case of a negative subsidy, the amount authorized by the appropriation act.

3.01.5.b Supplementals

The one exception is for apportionments or reapportionments that indicate the need for supplemental budget authority. These requests to OMB must be accompanied by the CFO's determination of the reasons for a deficiency apportionment. Apportionments that anticipate the need for a deficiency or supplemental appropriation under 31 U.S.C. 1515 will be specifically identified on the apportionment request (SF 132) as discussed in OMB Circular A-11, Section 35.1.

3.01.5.c Rescissions

A rescission is enacted legislation that cancels budget authority previously provided by the Congress before its authorized time for obligation has expired. Rescissions are proposed when the President determines that all or part of approved budget authority is not required to carry out the objective or scope of the program, and when all or a part of budget authority is to be reserved for the entire fiscal year. Congress may also propose rescission of approved budget authority.

If Congress does not complete action on the Presidential proposals within 45 calendar days of continuous session, any funds covered by the proposed rescission must be made available for obligation. In this case, reapportionment requests must be promptly submitted to OMB.

3.01.5.d Reprogramming

It is the policy of DOT that the affected entities shall notify the Assistant Secretary for Budget and Programs / Chief Financial Officer of all reprogramming proposals. **Reprogrammings submitted to Congress must not be implemented until officially approved by the Secretary, OMB, and the House and Senate Appropriations Subcommittees**. This policy applies to all DOT OAs, including the Office of the Secretary (OST) and the OIG. All OAs should follow the FY 2004 Consolidated Appropriations Act, 2004, **as updated in future years' reports**.[16]

Thresholds for Reporting to Congress

Reprogramming action of **any** size must be reported if they deviate from high-priority Appropriations Committee interests and requirements, as reflected in report language and program, project, or activity (PPA) baseline reports submitted after final enactment of appropriations bills.

In addition, a reprogramming action is required when funds are to be shifted that would:

- create a new program;
- eliminate a program, project, or activity;
- increase funds that have been denied or restricted by the Congress;
- result in funds directed for a specific activity by either the House or Senate Committees on Appropriations to be used for a different purpose;
- augment existing program, projects, or activities in excess of $5,000,000 or 10%, whichever is greater; or
- reduce existing programs, projects, or activities by $5,000,000 or 10%, whichever is greater.

OST's Salaries and Expenses appropriation and the Federal Transit Administration's Administrative Expenses appropriation have the following additional restrictions:

- The Secretary is authorized to transfer funds appropriated for any office OST to any other office of OST provided that no appropriation for any office is **increased or decreased by more than 5% by all such transfers**.
- The Federal Transit Administration Administrator is authorized to transfer funds appropriated for an office of the Federal Transit Administration provided that no appropriation for an office is **increased or decreased by more than 3% by all such transfers**.

Any OST or FTA transfers over these thresholds require formal notification and approval by the House and Senate Appropriations Subcommittees.

Justified Purposes

[16] See Conference Report 108-401, Consolidated Appropriations Act, 2004; Senate Report 108-146, Transportation, Treasury and General Government Appropriations Bill, 2004; House Report 108-243, Departments of Transportation and Treasury and Independent Agencies Appropriations Bill, 2004.

Justified purposes for reprogramming include (1) one-time, nonrecurring needs that by their nature could not reasonably have been planned for or handled in the regular budget process; and (2) items of exceptionally high priority to the Secretary, or responses to external events, such as implementing new statutes or other changes in workload requirements.

Purposes Not Justified

Purposes not justified for reprogramming include (1) items specifically denied by Congress in the appropriations process; and (2) extensive "fine tuning" of estimates made during the budget formulation process.

Offset Requirements

Generally, the source of funds to be reprogrammed (offsets) should be from PPAs in which permanent savings are expected (e.g., actual contracts below budgeted levels, recoveries, or deobligations), and **from within the same appropriation account**.

- If such offsets cannot be identified, other sources may be proposed.
- As much as possible, offsets should not come from contract delays or from changes in scope or scheduling of a multi-year project, unless the funds are no longer needed.
- Offsets must cover the total appropriations and obligation limitation increase involved in the reprogramming.
- Unless specifically provided in law, offsets cannot consist of reimbursable funds or any other sources outside the account.

Establishment of PPA Baselines

Using the format in Appendix B of the March 2004 OST Memorandum *Revised Reprogramming Guidelines*, a base level will be established for each PPA at the beginning of each fiscal year to be derived from appropriations acts and Committee and Conference reports. These PPAs are to be submitted to the **OST Office of Budget and Program Performance within three weeks of enactment of the appropriations act or as otherwise instructed**. (Note that PPAs may change from year to year, depending on Committee reports.) The base levels (column B of Appendix B) should reflect enacted levels.

The Assistant Secretary for Budget and Programs / Chief Financial Officer will forward the distribution of base funding by PPA to OMB and the Appropriation Committees. Agreement on the PPA base is important to ensure a common understanding of the base for future reprogramming action. (Note: These formats are not required for appropriations accounts that involve a single PPA, e.g., individual highway demonstration projects.)

The PPA structure, and associated base funding levels, should be entered into Delphi by each OA at the beginning of each fiscal year.

Procedures for Congressional Notification

Proposed reprogramming actions that require congressional notification must be described in a memorandum to the Assistant Secretary for Budget and Program / Chief Financial Officer, which

should be submitted at least seven weeks prior to proposed implementation. The seven week schedule presumes that reprogramming reports will normally be cleared by OST and OMB in three weeks, allowing four weeks for congressional review.

If funds must be reprogrammed more quickly (e.g., to respond to emergencies), an expedited schedule should be discussed with the OST Office of Budget and Program Performance.

Unless otherwise agreed to by the Director of Budget and Program Performance, the package should include:

- A memo signed by the Administrator, Inspector General, or Secretarial Officer and addressed to the Assistant Secretary for Budget and Programs / Chief Financial Officer. **The memo must include detailed justification for the actions, including an assessment of the impact if the funds were not reprogrammed**.

- Proposed offsets that would cover the full appropriation and obligation limitation impact of the reprogramming, including a brief explanation of (i) the rationale for the offsets proposed, and (ii) the impact of such offsets on the contributing activity.

- A draft transmittal letter for the Secretary's signature, to each of the appropriate Appropriations Subcommittee Chairmen (with blind copies to ranking members). **This letter should present the proposal as a notification of proposed action rather than a request for approval**.

OST / OMB Clearance Process:

- The OST Office of Budget and Program Performance will coordinate clearance of proposed reprogrammings in OST and OMB.

- OST Office of Budget and Program Performance staff will provide the appropriate documents to OMB for its approval.

- OMB will notify its concurrence in writing through a memo signed by the Deputy Associate Director for Transportation programs. Comments resulting from the clearance process will be communicated in writing (or through e-mail) to the initiating office, including decisions on the appropriateness of the reprogramming or the proposed offsets, and other changes as appropriate.

- The initiating office will finalize the transmittal package for the Secretary's signature and forward it to the Office of Budget and Program Performance for final clearance by the Secretary.

Procedures for Implementing Reprogrammings Transmitted to Congress

OST will notify DOT OA Budget Officers of communications from the Appropriations Committees. **Reprogrammings are not to be implemented until officially approved by both House and Senate Appropriations Subcommittees (typically in writing). In general, if either the House or Senate Appropriation Subcommittees takes issue with all or part of the proposed reprogramming, their views must be addressed. Those situations will be dealt with on a case-by-case basis in consultation with the Assistant Secretary for Budget and Programs / Chief Financial Officer**.

Procedure for Appeal

In general, appeals to Congress to reconsider denial of reprogramming requests are discouraged. Any appeal action is only to be undertaken by OST and not by individual OAs.

3.01.6 Appropriation Warrants

Although the warrant process is not considered to serve a legal function in the administrative control of funds, it is described here to lend continuity to the understanding of the funding cycle. Warrants are issued on TFS Form 6200, pursuant to law, by the Secretary of the Treasury to establish the amount of moneys authorized to be withdrawn from the Treasury.

For definite appropriations from the general fund of the Treasury, warrants are automatically issued in the full amount as stated in the appropriation acts. For indefinite appropriations and in special instance such as borrowing from subsequent year's appropriations, when authorized by law, warrants must be requested at the beginning of the period for which the need exists. These latter warrants require adjustment, as necessary, to agree with actual obligations or disbursements.

A Treasury representative prepares and signs appropriation warrants on behalf of the Secretary of the Treasury. Instead of a countersignature by a representative of the GAO on behalf of the Comptroller General of the United States, the following statement will appear on the warrant: "Countersignature not required pursuant to Treasury General Accounting Office Joint Regulation No. 5 or No. 7."

Treasury uses appropriation warrants to record appropriations on its books. Treasury furnishes an authenticated copy of each appropriation warrant to the agency. The OA should then record the information in its administrative accounts **for the same accounting period recorded in Treasury's central accounts**.

3.01.7 Allotments and Suballotments

Funds control must occur in Delphi at the lowest level of apportionment. Allotments and suballotments must be entered into Delphi by budget staff, and each operating unit will be financed from no more than one subdivision for each appropriation or fund – *allotments and suballotments are subject to the provisions of the Antideficiency Act*. Operating budgets must be used to reflect appropriations from Congress and apportionments from OMB.

Function and Purpose of Allotments and Suballotments

The development and maintenance of a system for fund control must include the formal allotment of funds as a means for establishing, within appropriation limitations established by the Congress and funds apportioned by OMB, the amounts available for obligation and outlay. The allotment system must be established and maintained in such a manner as to assure compliance with all limitations, including those of the Antideficiency Act, as amended. Each OA's internal procedures must clearly define an unbroken chain of responsibility from the Administrator to those exercising responsibilities for fund control.

Restrictions of Allotments and Suballotments

Restrictions of allotments and suballotments are as follows:

- The sum of allotment amounts issued must not exceed the apportionment.

- The sum of suballotment amounts issued must not exceed the allotment amount.

- Allotments or other administrative subdivisions must be fixed in amount and changed only when authorized by a responsible budget official.

- Congressional restrictions contained in appropriation acts must be covered.

- No officer or employee shall make or authorize an expenditure, or create or authorize an obligation without approval of an official authorized to certify funds availability.

- No appropriation will be used to pay obligations incurred under another appropriation, even when funds have been temporarily exhausted and when reimbursement is contemplated after supplemental appropriations are approved.

- An appropriation for a specific purpose is available for that purpose only, to the exclusion of a more general appropriation that might otherwise be considered available for the same purpose.

- Unless otherwise provided by law, when either of two appropriations reasonably could be used for certain purposes, administrative election to use one of the appropriations precludes the use thereafter of the other appropriation for the same purpose.

- The exhaustion of an appropriation for a specific purpose does not authorize charging excess expenditures or obligations to a general appropriation that would otherwise be available for the same purpose.

- In some circumstances, the recording of obligations is not to be delayed due to lack of funds. Examples include authorized payroll, and obligations arising under defaulted guaranteed loans.

- No obligation will be made or authorized, or expenditure made, when no allotment exists or is in excess of the existing allotment.

- The procurement of stationary or supplies is subject to the prohibition in 41 U.S.C. 13 against making contracts in excess of one year, except as otherwise provided.

- Allotments may be made on the basis of anticipated receipts, reimbursements, or transfer orders (net of items of doubtful collectability shown in the accounting records) accepted from another account of Government, or reimbursement entitlement based upon goods and services furnished as authorized by law. All other anticipated receipts must not be allotted until received as an advance from the public or the execution of a written agreement between an OA and local governments where authorized by law.

Mandatory Requirements

- No commitment will be made without certification of fund availability by recording it in Delphi.

- Obligations must be recorded in Delphi prior to a transaction with a vendor.

- Disbursements must be made in compliance with the Prompt Payment Act (when applicable) and recorded promptly.

- Commitments, obligations, and disbursements must be identified with an appropriation or fund at the time incurred.

- Accounting officers and allottees shall be responsible for the validity of all commitments, obligations, and disbursements.

- Funds transferred under the Economy Act, 31 U.S.C. 1535, for payment of services or supplies furnished to another Federal agency, are available only for the same time period as the appropriation from which the transfer is made. Interagency agreements chargeable to fiscal year appropriations are required to be deobligated at the end of the fiscal year to the extent the performing agency has not incurred valid obligations under the agreement (39 Comptroller General 317).

- Obligations made or authorized under a fiscal year appropriation must meet a bona fide need of the fiscal year to be charged.

- Direct and guaranteed loan commitments must be supported by the subsidy budget authority being allotted.

Any obligated balances that are canceled after the five (5)-year period may be paid from the unexpired appropriation made for the same general purpose. Payment of old balances from unexpired funds is limited to **one percent of the unexpired appropriations**. Specifically:

- For annual accounts, the limitation is one percent of the annual appropriation for the account, not total budgetary resources, but still may not exceed the original amount appropriated; and

- For multi-year accounts, the limitation of one percent applies to all the appropriations that have not yet expired for obligational purposes. No other budgetary resources may be considered in applying this one percent limitation. Previously unrecorded obligations can be paid from the unexpired account as if they were canceled balances.

Allotment Procedures

Allotments and fund authorizations must be in writing (electronic mail, for example) and must be addressed to specific officials. The document must also identify the officers authorized to issue or adjust the allotments and suballotments. Such communications must be documented fully by the recipient and posted to the records. Upon receipt, the formal authorization should be attached to the documentation used for recording purposes, along with the justification that was submitted to the budget office. At a minimum, the document(s) must identify:

- amount available;

- funding source (for example, appropriations, reimbursements, etc);

- time period of availability;
- position title of the allottee (official responsible); and
- other agency limitations, when applicable.

Allottee Responsibility

Allottees shall exercise supervision primarily through (1) the approval of operating budgets; and (2) the approval of commitments, obligations, or expenditures chargeable to their allotments.

- Sub-allottees (hereinafter described as allottees with respect to responsibilities and duties) shall also exercise control primarily through (1) the approval of operating budgets; and (2) the approval of commitments, obligations, or expenditures chargeable to their allotments. Sub-allotments may be made by allottees if essential for effective and efficient control of funds.
- Each officer or employee receiving an allotment or sub-allotment shall be held responsible for restricting obligations or expenditures to the amounts and terms specified in the contract/purchase order. Obligations incurred or expenditures in excess of allotments or sub-allotments are considered to be violations of the Antideficiency Act.
- No obligation should be created or outlay made from apportioned funds unless such authority has been established by formal allotment and the amount available is sufficient to cover the amount of such obligation or outlay.

3.01.8 Nonexpenditure Transfers

Nonexpenditure transfers are transfers of authority in the form of increases or decreases of either new budget authority or balances between accounts in the same account group (e.g., general fund to general fund). Nonexpenditure transfers are executed using an SF 1151. There are five types of nonexpenditure transfers and all but one (allocation) require a reapportionment by OMB:

1. Appropriation Transfers

   Under specific statutory authority, funds are transferred between Treasury symbols along with the associated budgetary and proprietary responsibilities. Since the transferring account no longer has the proprietary or budgetary responsibility for the transferred funds, the only reporting responsibility required is the reporting of the transfer-out on line 1D or 2B of the SF 132 and SF 133 (and the related FACTS II submissions). The receiving account, conversely, inherits all proprietary and budgetary reporting requirements and reports the transfer-in on line 1D or 2B of the SF 132 and SF 133.

2. Allocation

   In contrast with an appropriation transfer, an allocation is made by delegating a portion of a Treasury symbol's authority and fund balance to a subsidiary allocation account (transfer account) within the original account fund group. Allocation transfers can only be made under specific statutory authority, and do not result in increases or decreases of budget authority. Funding may be allocated from the transferring entity to the receiving entity at the time an allocation transfer Interagency Agreement is signed or funds may be allocated as they are needed by the receiving entity. See OMB Circular A-11, and Bulletin No. 01-09 for reporting requirements.

3. Borrowings from Treasury under Loan Authorizations

   Transfers from Treasury representing borrowing under loan authorizations and amounts returned to Treasury on principal are treated as nonexpenditure transfers. Interest payments are handled as expenditure transfers.

4. Capital Transfers

   Revolving fund transactions that transfer capital investments of the United States or earnings for credit to designated capital transfer accounts are treated as nonexpenditure transfers.

5. Borrowings from other Funds

   Amounts loaned by the Federal Financing Bank (FFB) to OAs authorized to issue, sell, or guarantee their obligations and the amounts returned in the form of principal payments are nonexpenditure transfers. As in the case of borrowings from Treasury, interest payments are treated as expenditure transfers.

3.01.8.a Procedures for Nonexpenditure Transfers

The transferring entity initiates a nonexpenditure transfer by preparing an SF 1151, Nonexpenditure Transfer Document, and submitting it to Treasury's FMS. Upon receipt, FMS verifies the accuracy of the 1151 against the appropriation language, records it in their central accounting system (STAR) and forwards copies of the completed document to the transferring and receiving entities.

Generally, only one transaction is listed on each SF 1151. However, multiple transfers may be listed on a single SF 1151 if they are all based on the same authority. The form must cite the legal authority for the transfer. Only a designated representative within the Budget Office of the OA should approve the SF 1151 with an original signature (no facsimiles). An original and four copies should be sent to Treasury for all types of nonexpenditure transfer except Borrowing and Repayments from Treasury under Loan Authorizations (which require an original and five copies).

Since Treasury processes the SF 1151 data directly into their central accounting system, OAs should not report these transactions on their SF 224, Statement of Transactions. OAs should record the transactions in their own administrative accounts in the same month as processed by Treasury.

Any corrections to SF 1151s must be accomplished on an SF 1151. To return funds to the original (transferring) account, the receiving or administering agency is required to process a SF 1151 to reverse the original transaction (be sure to indicate on the form that it is a reversal).

3.01.9 Obligations

3.01.9.a Special Situations

All transactions meeting the criteria stated for obligations in the Supplemental Appropriations Act of 1950, Section 1311 (31 U.S.C. 1501), constitute obligations and must be recorded as obligations. When an agency is authorized by law to incur obligations in advance of, or in excess of an appropriation (for example, obligations arising under defaulted guaranteed loans or payroll), the obligation must be recorded as soon as it arises, even if the available balance is insufficient to cover the obligation. For purposes of effective financial planning, including funds control, data on proposed obligations, (i.e., commitments, reservations as used by program activity) must be systematically accumulated in accounting records **in advance** of their becoming valid obligations. When these commitment records are used to prepare official reports on obligations incurred, appropriate adjustments must be made to conform such data to the amounts representing valid obligations as defined by law.

3.01.9.b Errors

Those cases caused by errors where the facts indicate that no actual over-obligation exists are not violations. This is so even though the records indicate otherwise. An error does not establish a bona fide obligation. An error, however, can lead to an actual violation. For example, an over-obligation incurred because an error led to the belief that sufficient funds were available is a violation. Actual violations, even though caused by errors, must be reported.

3.01.9.c Over-obligations Resulting from Inaccurate Estimates of Obligations

Obligations in excess of the actual amount available at any given time are prohibited. In the case of some indefinite price contracts and similar obligations, it is difficult to determine the precise amount of the Government's ultimate liability at the time contracts are made.

In these cases the allottee is responsible for obligating funds to cover the Government's potential liability under the contract, and to ensure that sufficient funds are available for complete liquidation of such obligations. While it is recognized that these cases present many difficulties from a control standpoint, the allottee, nevertheless, is responsible for ensuring that adequate funds are available in the allotment for complete liquidation of such obligations.

3.01.9.d Deobligations

The accounting organizations will periodically review obligations to ascertain that all those amounts meeting the criteria of the Supplemental Appropriations Act of 1950, Section 1311 (31 U.S.C. 1502) are recorded. Other amounts should be deobligated. However, arbitrary deobligation action is taken at the risk of a future violation if subsequent payment or charges should disclose an under-obligation.

3.01.9.e Loan Programs

For loan programs, obligations and disbursements will not exceed: (1) the amount of authority made available for loan subsidies. Modifications of direct or loan guarantees will not exceed apportioned unobligated balances of subsidy amounts; (2) the amount of the credit program supportable by the enacted subsidy, whether the subsidy is positive or negative; and (3) the amount appropriated for administrative expenses; and (4) obligations and disbursements may not be incurred against lapsed unobligated balances for loan subsidies, except to correct mathematical or data errors in calculating subsidy amounts.

3.01.10 Withholdings

3.01.10.a General

Any budgetary resource deferred or proposed for rescission will be reported to the Congress in special and supplementary messages and in cumulative reports as described in OMB Circular A-11, Part VII. These actions must be recorded in Delphi.

3.01.10.b Rescissions

The Impoundment Control Act of 1974 requires that the President transmit a special message to Congress whenever he proposes an amount for rescission (2 U.S.C. 683). See also Section 3.01.5.c.

3.01.10.c Deferrals

A deferral is any action or inaction by an officer or employee of the U.S. Government that temporarily withholds, delays, or effectively precludes the obligation or expenditure of budget authority. Amounts may be deferred (a) as reserves to provide for contingencies under the Antideficiency Act (31 U.S.C. 1512), or (b) for other reasons pursuant to the Impoundment Control Act of 1974 (2 U.S.C. 684) or other laws. All deferrals, whether or not reflected on the SF 132, must be reviewed and reported from time-to-time so that these funds can be made available for obligation before they expire.

3.01.10.d Reserves

Reserves may be established under the Antideficiency Act (31 U.S.C. 1512) solely to (a) provide for contingencies, or (b) effect savings made possible through changes in requirements or greater efficiency of operations. These reserves must be recorded in Delphi.

3.01.11 Anticipated Amounts and Reimbursable Work

3.01.11.a Anticipated Receipts and Reimbursements

The amount apportioned for any appropriation or fund account that includes unrealized reimbursements or other anticipated receipts will not be allotted unless there is reasonable assurance that such items will be collected and deposited to the credit of the appropriation or fund involved. All officials who receive allotments containing reimbursements or anticipated amounts will maintain constant and careful oversight to ensure that these are realized or earned as planned, and subsequently billed and collected. The allottee must evaluate the validity or worth of such unrealized amounts before requesting them to be used as a basis for incurring obligations.

If actual earnings or amounts realized are greater than anticipated, appropriate funding adjustments must be made and other appropriate action, including reapportionment, must be taken.

3.01.11.b Reimbursable Work

In the case of reimbursable work, budgetary resources available for obligation from reimbursements are comprised of earned reimbursements and unfilled customer orders. An earned reimbursement is the amount representing orders that have been filled, provided that in the case of orders from the public, including State and local governments, the amount is limited by the amount of the advance received.

All non-Federal sponsors will make payment in advance of the actual cost of the services on an estimated basis. However, an advance payment schedule may be established within the reimbursable agreement if the total estimated cost will exceed $50,000 or the length of time to complete the work will exceed six months.

As with an earned reimbursement, an unfilled order is available for obligation provided that in the case of orders from the public the amount is limited by the amount of the advance received. Throughout the year, these amounts are to be adjusted to the extent that orders are filled, cancelled, or new orders received. Specific authority may be given by law to include unfilled customer orders, not accompanied by an advance, as budgetary resources.

3.02 Reporting Antideficiency Act Violations

3.02.1 General

The Antideficiency Act consists of provisions of law that were passed by Congress and prohibits Federal employees from: entering into contracts that *exceed* the enacted appropriations for the year and purchasing services and merchandise *before* appropriations are enacted.

Per Part IV, Section 145 of OMB's Circular A-11, the Antideficiency Act:

- requires that OMB *apportion* the appropriations (approve a plan that spreads out spending over the fiscal period for which funds were made available);
- restricts *deficiency apportionments* to amounts approved by the agency heads only for "extraordinary emergency or unusual circumstances;"
- establishes *penalties* for Antideficiency Act violations. Violations are obligations or expenditures in excess of the lower of the amount in the affected account, the amount apportioned, or the amount allotted; and
- requires the agency head to report any Antideficiency Act violations to the President, through the OMB Director, and Congress.

Under the Act, if you obligate or expend more than the amount in the TAFS or the amount apportioned or any other subdivision of funds, you will be subject to appropriate administrative discipline, including – when circumstances warrant – a written reprimand, suspension from duty without pay, or removal from office.

An Antideficiency Act fund violation can occur at any time during the current period when obligations or outlays exceed the allotment, apportionment, or appropriation. A fund violation can occur at any time during the expired period when obligations or outlays exceed the remaining amount available in the appropriation or otherwise available by law. In addition, each obligation or outlay transaction that exceeds amounts available must be examined to determine responsibility for causing the violation. **Actions that subsequently relieve the violation condition do not negate the fact that a violation occurred, which must be reported**. Further, the amount of the violation is not a factor in determining whether a report must be submitted. All violations must be reported, except those that are one dollar or less. Once a violation has occurred, the violating office must work with the Department's Office of Financial Management to discuss the funding mechanism that will pay for the shortfall.

3.02.2 Definition of Antideficiency Act Violations

The Antideficiency Act, as amended, requires that the President, through the Director of OMB, and Congress be furnished information on violations of the following character:

- **Over-Obligation or Over-Expenditure of an Appropriation or Fund**. This is any case where an officer or employee of the United States has made or authorized expenditure from, or created or authorized an obligation against, any appropriation or fund in excess of the amount available in the account.

- **Contract or Obligation in Advance of an Appropriation**. This is any case where an officer or employee of the United States has involved the Government in a contract or other obligation for the payment of money for any purpose in advance of appropriations made for such purpose, unless such contract or obligation is authorized by law. If authorized by law, but not financed by an appropriation, the budget authority recorded to cover such transactions is known as contract authority. If the contract authority is provided in anticipation of receipts, then obligations incurred against such contract authority cannot be liquidated unless either the receipts are collected and credited to the account or an appropriation has been enacted. 31 U.S.C. 1341(a).

- **Acceptance of Voluntary Service**. This is any case where an officer or employee of the United States has accepted voluntary service for the United States or employed personal services in excess of that authorized by law, except in cases of (1) an emergency involving the safety of human life or the protection of property; (2) use of student volunteers under agreement between the Department and the school, as provided by OMB regulations; or (3) as permitted specifically by law (31 U.S.C. 1342). (See DAO 202-311, *Voluntary and Uncompensated Services*, for policies, guidelines, and procedures of the Department concerning voluntary and uncompensated services.

- **Over-Obligation or Over-Expenditure of an Apportionment or Reapportionment**. This is any case where an officer or employee of the United States has authorized or created an obligation or has made an expenditure in excess of an apportionment or reapportionment.

This includes adjustments that cause obligations in expired accounts to exceed the apportionment for the year in which such obligations were incurred. 31 U.S.C. 1517(a).

- **Over-Obligation or Over-Expenditure of an Allotment**. This is any case where an officer or employee of the United States has authorized or created an obligation or has made an expenditure in excess of the amount permitted by the prescribed and approved agency fund control system. 31 U.S.C. 1517(a).

- **Over-Obligation or Over-Expenditure of a Credit Limitation**. This is any case where an officer or employee of the United States has authorized or created an obligation or made an expenditure exceeding a credit limitation contained in an appropriation or authorization act restricting the amount that can be obligated or committed for a credit program. 31 U.S.C. 1517(a). *See also Section 7, Direct Loans and Loan Guarantees*.

- **New Obligations in Expired Accounts**. This is any case where an officer or employee of the United States has created or authorized an obligation against an expired account. Expired accounts will remain available for legitimate obligation adjustments but not for new obligations. As of September 30 of the fiscal year after the period of obligational availability ends, for each account, all obligated and unobligated balances must be canceled and the expired account must be closed. No disbursements may be made from closed expired accounts. However, after an account is canceled, any legitimate obligations or adjustments chargeable to the canceled account may be paid from another unexpired appropriation available for the same purpose as the canceled account.

  For example, contract claims settled at the contracting officer level are chargeable to appropriations current at the time the basic contract was executed if the claims are made pursuant to a provision in the original contract. If the applicable appropriation account for a prior year has been closed pursuant to 31 U.S.C. 1552(a), the portion chargeable to that year must be charged to current appropriations, subject to the one-percent limitation of 31 U.S.C. 1553(b).

3.02.3 Charging the Wrong Account

Deliberately charging the wrong Treasury account for purposes of expediency or administrative convenience, with the expectation of rectifying the situation by a subsequent transfer, violates 31 U.S.C. 1301(a) – the transferred funds would be used for a purpose other than that for which they were originally appropriated. If the receiving appropriation is exceeded, the Antideficiency Act is also violated.

3.02.4 Penalties

Any officer or employee who violates provisions of 31 U.S.C. 1341(a), 1342, or 1517(a) (the Antideficiency Act) shall be subject to appropriate administrative discipline. Administrative discipline may consist of a:

- letter of reprimand or censure for the official personnel record of the officer or employee;

- performance rating of unsatisfactory;

- transfer to another position;
- suspension from duty without pay; or
- removal from office.

In addition, any person who knowingly and willfully violates these prohibitions shall be fined not more than $5,000, imprisoned for not more than two years, or both.

3.02.5 Reporting Violations

3.02.5.a Responsibilities

Since a determination concerning liability under this Act is within the province of the Department's Office of General Counsel, the OA affected shall consider the following list of guidelines in gathering the pertinent facts:

Except for credit programs, Delphi must be the record for determining whether a violation exists, for the extent of the violation, and for assigning individual responsibilities. If the violation involves a sub-system approved by the CFO, that system must be the record for such determination except where the two systems conflict. In the latter case, the OFM will determine the set of records that is correct.

- The Department's Office of Budget and Program Performance shall make the determination as to whether there has been a violation of the Act. OFM shall cooperate in reviewing and determining the facts from accounting records or resolving conflicts between accounting and approved sub-systems. The Office of Personnel shall cooperate in the determination of the extent of administrative discipline to be applied.

- To the extent that an individual contributed to the violation, some actions may be considered so contrary to good management practices as to indicate possible negligence. These actions may include, but are not limited to:

  - failure of an allottee to formalize operating plans in time to establish administrative control of obligations or expenditures and to present such plans for incorporation into Delphi;

  - failure of an allottee to maintain such plans in a current status throughout the period of availability of an appropriation;

  - failure of an accounting officer to monitor and analyze accounts in a professional manner and to provide formal notice of an impending violation where professional judgment would warrant such action;

  - failure of an allottee to respond in-kind to a formal warning from an accounting officer of an indication of impending violation;

- direct approval by an allottee of an obligation beyond the limitation of an allotment or sub-allotment;
- failure of an accounting officer to maintain Delphi or associated feeder systems;
- failure of an accounting officer (or program official to provide such information) to enter a commitment (estimate) in an accounting record, e.g., GPO Printing Requisition to determine the individual responsible for that commitment;
- failure of an automatic data processing manager to maintain Delphi or associated feeder systems as designed or to provide highest priority to situations involving administrative control of funds;
- failure of a contracting/procurement officer, or any other approving official, to obtain the approval of an official authorized to certify fund availability before entering into a contract or a change order;
- failure of a certifying officer, in conjunction with the requirement in 31 U.S.C. 3528, to determine that payments are in accordance with law and represent a legal obligation under the fund involved, to determine that an expenditure is generally preceded by an operating plan entered in the accounts, or is otherwise specifically approved by the allottee;
- failure of an employee to act promptly in matters of assembling, recording, and reporting obligations, including those personnel who have responsibility for administrative approval of expenditures;
- failure of any employee to cooperate with an allottee in formalizing control plans and revisions of plans in a timely manner; and
- failure of an employee responsible for furnishing an estimate to be recorded as an obligation to prepare such an estimate with reasonable skill and competence.

- Violations may occur because of the actions of other agencies, particularly where the Department is required to enter into interagency agreements. If inadequate financial information has been furnished by another agency, which could cause an OA to be in violation of the Act, the facts should be established and reported as with any other report of a violation.

3.02.5.b Reporting to the Chief Financial Officer

It will be the primary responsibility of the chief of the accounting office or other organizational unit in which the official accounts are maintained to immediately initiate written reports of obvious or possible violations. However, any employee of the Department having knowledge of an apparent violation shall be responsible for initiating a written report through appropriate channels. In either instance, the report must be addressed to the Administrator of the OA, who shall inform the Department's CFO immediately after it has been established that a violation has occurred. The violator working with the OA's CFO will prepare a report of the violation for signature by the Administrator. The report will then be signed by the Department's deputy CFO for signature and submission to the Department's CFO. An information copy of the report will be sent to the Director of Budget and Program Performance, and the Director of Financial Management, B-30 (B-30 will prepare the report for violations that occur within OST.). The Department's CFO will then submit the report to the Secretary for signature.

In the event that investigations are not completed nor an external report made within six months of discovery, quarterly reports will be reported to the Office of Budget and Program Performance until the investigation discloses that the violation did not occur or an external report is made.

3.02.5.c Reporting to the President and Congress

Report to the President: If it is determined that a violation has occurred, then external reports are required. One report must be in the form of a signed letter with three copies (plus the number of copies desired for internal use) to the President. B-30 and the violating program office will prepare the report. The head of the program office will provide the report to the Secretary for signature. The head of the program office will forward a copy of the signed report to the President through the Director of OMB. At a minimum, one copy will also be sent to the Department's OIG.

The opening sentence of the letter should be, "This letter is to report a violation of the Antideficiency Act, required by 31 U.S.C. 1341(a), 1342, and 1517(a)." The letter will set forth the following data, preferably in the sequence indicated:

- The title and symbol (including the fiscal year) of the appropriation or fund account, the amount involved for each violation, and the date on which the violation occurred.
- The name and position of the officer or employee responsible for the violation.
- All the pertinent facts of the violation, including the type of violation, (e.g., over-obligation of an allotment or apportionment of an appropriation, etc.) the primary reason or cause, and any statement from the responsible officer or employee with respect to any circumstances that he or she believes to be extenuating, and any germane report by the Department's Inspector General and/or the General Counsel.
- A statement of administrative discipline imposed by the Administrator or CFO within the OA, and any further steps taken with respect to the officer or employee, or an explanation as to why no disciplinary action is considered necessary.
- In the case where an officer or employee is suspected of willfully and knowingly violating the Antideficiency Act, confirm that all information has been submitted to the Department of Justice for determination of whether further action is needed.
- A statement that the OA's instructions implementing these procedures are adequate, or if not adequate, will be appropriately revised.
- A statement of any additional action taken by, or at the direction of, the OA's Administrator, including any new safeguards provided to prevent recurrence of the same type of violation.

Within OST, the statement will address any additional action taken by the Department's CFO.

- If another agency is concerned, a statement concerning the steps taken to coordinate the report with the other agency.

- If an allocation account is involved in a violation, the violation will be reported through the Department by the agency administering the allocation.

Report to Congress: The second report will be made to Congress as required by law. This report, using the same format as that submitted to the President (*Section 3.02.5.c*), will be prepared by B-30 and the violating program office. The head of the program office will provide the report to the Secretary for signature. The report will be addressed to the President of the Senate and the Speaker of the House. A copy of the signed report to the President will be included with the report made to Congress.

In addition to reports of violations discovered by OAs or offices of the Department, reports will also be made on violations not previously reported that are included in findings of the GAO in connection with audits and investigations. In these cases, the reports should contain an explanation as to why the violation was not discovered and previously reported. If the Department does not agree with GAO that a violation has actually occurred, a letter explaining the reason for the point of view should be prepared for the Secretary's signature and transmitted through normal channels for submission to the Comptroller General with a copy to the Director of OMB.

3.02.5.d Financial Statement Disclosure

Any violations of appropriations or other fund limitations must be disclosed in the notes to the financial statements. Any major restrictions or limitations on the use of funds (such as limitations on amounts that can be spent for certain types of expenditures, e.g., travel) contained in the appropriation acts must also be disclosed, as well as any violations of such restrictions.

3.03 RELATIONSHIP OF ACCOUNTING AND FUND CONTROL SYSTEMS

Delphi and associated feeder systems should incorporate appropriate techniques to assist in achieving funds control. The basic responsibility for recording and reporting financial transactions as obligations is prescribed in the Supplemental Appropriations Act of 1950, Section 1311 (31 U.S.C. 1501-1502). OMB Circular A-11, Section 31.3 specifies the criteria for an adequate system of administrative control of funds to comply with the requirements of the Antideficiency Act, 31 U.S.C. 1514, as amended, and it provides that funds control systems be fully supported by Delphi.

Delphi should provide for the recording of all financial information affecting apportionments, reapportionments, allotments, agency restrictions, financial plans, program operating plans, obligations and expenditures, and anticipated, earned, and collected reimbursements.

Delphi should also provide for the preparation and reconciliation of financial reports that display cumulative obligations and the remaining unobligated balance by appropriation and allotment, and cumulative obligations by budget activity and object class.

3.03.1 Delphi and Feeder Systems

Delphi and associated feeder systems must be designed and maintained in a manner to assist responsible officials in restricting the authorization or incurrence of commitments, obligations, and expenditures to amounts available in the apportionment or allotment. Delphi and associated feeder systems must also provide timely disclosure of:

- total valid obligations incurred to date, and total budgetary resources available for obligations within each apportionment, allotment, or other administrative sub-division. Credit accounts will be handled in the same manner as noncredit accounts;

- restrictions contained in appropriation acts or other statutes, along with total obligations incurred against such restrictions to date;

- status of estimated reimbursements, including orders received, amounts earned, and amounts collected to date; and

- the authorization or creation of commitments, obligations, or expenditures that exceed apportionments and allotments.

3.03.2 Allotment Accounting and Reporting

Allotment accounting and reporting procedures must be prescribed as an integral part of any accounting and reporting system. Provision must be made for prompt and accurate recording in the official accounts of all transactions affecting an allotment, and timely reporting on its status to the allottee by the OA's accounting staff.

3.03.3 Accounting Records and Fund Status Reports

The accounting records and the funds status reports must be periodically verified. This verification must take place at least quarterly to insure that all source documents that affect the appropriation and fund balances have been recorded properly, accurately, completely, and on a timely basis.

During this verification, the validity of all obligations will be substantiated and adjustments will be processed accordingly. This verification will be accomplished by consulting with the program officials that are in a position to know the validity of each obligation and are charged with the responsibility for administering the funds that have been allotted to their programs.

3.04 RECONCILIATIONS

3.04.1 Module Reconciliations

In order to ensure complete and accurate financial reporting each OA should complete all necessary module reconciliations within Delphi – See *System Reconciliation, 3.04.4*.

3.04.2 Intragovernmental and Intradepartmental Transactions

In order to remove duplicating items that arise during financial statement consolidation, the Department of Transportation must eliminate all transactions that occurred between OAs on the Consolidated Financial Statement.

The Federal Intragovernmental Transactions Accounting Policies Guide states "Agencies prepare department wide consolidated financial statements and will prepare elimination entries for Intragovernmental transactions within the agencies based on this financial information." http://www.fms.treas.gov/irri/regs/polices_guide-10-31-03.pdf. OA financial statements will eliminate all transactions between sections of that OA on their financial statement. The Department will use the process detailed in Section 11, Reimbursable Agreements to compile Departmental Elimination entries for the Consolidated Financial Statements.

3.04.2.a Intragovernmental Transaction Portal (IGTP)

Accounting for intragovernmental transactions – fiduciary, exchange, and nonexpenditure transfers – has been classified by GAO as a government-wide material weakness. This hinders true cost transparency and impedes achievement of our goal of a clean opinion on the U.S. Consolidated Financial Statements.

A major contributing factor to this problem is the current lack of standardization in processing and recording these transactions. As a step toward resolving this weakness, OMB and the Integrated Acquisition Environment (IAE) steering committee has established basic requirements for processing and recording intragovernmental transactions for all agencies. These transactions are commonly referred to as buy-sell transactions, reimbursable agreements, interagency agreements, and MIPRS. These transactions will be fed through the IGTP and tracked.

The key objective of the IGTP is to standardize the process for acquisition of goods and services between Federal agencies. Standard procedures and common data elements will be used to integrate disparate systems and processes across the Federal Government. The automated match of order, billing, and acceptance data will reduce payment and collection problems. The IGTP will make transaction data visible to both trading partners and facilitate the reconciliation and elimination processes associated with financial reporting. OMB has issued *Business Rules for Intragovernmental Transactions*[17].

3.04.3 Cash Reconciliation

3.04.3.a Overview

The Treasury Financial Manual (TFM) requires all Federal agencies to reconcile its Fund Balance with Treasury (FBWT). Reconciliation of FBWT is a key element of the financial statement audit opinion. Failure to follow FBWT reconciliation procedures and processes results in an internal control weakness that is identified in the audit report. The materiality of the weakness affects the outcome of the audit report. DOT requires reconciliations of FBWT be performed and reported monthly. Daily reconciliations may be performed as needed. Current Treasury guidance requires a two-step reconciliation process. First, a monthly reconciliation of the disbursement and collection documents resulting from submission of the FMS 224 Statement of Transactions report is completed for each Agency Location Code (ALC). Second, the FBWT is reconciled to the G/L by Treasury Account Symbol (TAS).

[17] Business Rules Memorandum, (October 4, 2002, M0-03-01).

A future Government-wide accounting initiative requires that the TAS be included on original paying and collecting documents. When this initiative goes into effect, the FMS 224 report will be discontinued. The ALC will receive a daily statement showing all cash transactions. This procedure will eliminate the first step of the reconciliation and enable each ALC to reconcile FBWT daily. This initiative is due to start in FY 2006.

3.04.3.b Purpose

This section provides instructions for completion and submission of monthly certification of FBWT reconciliations. The certification is also included in this section. It also provides definitions for common terminology used by accounting and finance staff and recommendations for completing reconciliations. All TAS residing in the OA's responsibility must be reconciled every month. A complete list of Department of Transportation's TAS may be found in the Federal Account Symbols and Titles (FAST) book (http://fms.treas.gov/fastbook).

In Treasury's guidance, the TAS is also called the Treasury Appropriation Fund Symbol (TAFS), Treasury Account Fund (TAF), "Treasury account symbol" or simply "fund account symbol." The terminology commonly used to refer to all of these acronyms and definitions is "fund." This is not to be confused with the common DOT definition of fund, which is not the Treasury designated account symbol from the FAST book, but some other designation in the Delphi system. For purposes of this policy, the word "fund" means the Treasury designated TAS/TAFS/TAF as stated in the FAST book and other Treasury guidance, not the DOT Delphi definition.

All reconciliation spreadsheets, working papers, reports, information, explanations, and certifications resulting from the OA's procedures and processes must be maintained by ALC and must be made available to auditors upon request. The monthly reconciliation certifications are due to B-30 no later than the 15th of the month following the end of the reporting period.

These instructions supplement Treasury Financial Manual 1 TFM 2-3300 and 1 TFM 2-5100 (http://fms.treas.gov/tfm). Other sources of reconciliation information include monthly Delphi system-generated web, Discoverer, and EXCEL reports prepared by the Cash Operations Team (Cash Ops), the Data Integrity and Month End Close Team (Recon Team), and individual OA's reconciliation procedures.

3.04.3.c FMS 224 Statement of Transactions Report

Current Treasury guidance requires the submission of the monthly FMS 224 Statement of Transactions for each ALC on the third workday of each month for the prior month's cash transactions. This report is submitted using the Government On-Line Accounting Link System (GOALS II). Cash transactions are classified as either disbursements or collections (receipts) in Section I by fund. Edits in the GOALS II system prevent the user from entering a fund that is not designated by Treasury. All disbursement documents are reported by accomplished date in Section II. All collection documents are reported by accomplished date in Section III. Accomplished date is the actual date that Treasury records the transactions in their system, not the date they are entered into Delphi, today's date or any other date generated by Delphi. In the IPAC system, the accomplished date is called the accomplished date. For schedule disbursements (1166) and canceled checks, the accomplished date is called the confirmed date. For collection documents (deposit tickets and debit vouchers) the accomplished date is called the voucher date in CA$HLINK.

The FMS 224 report is generated from disbursement and collection documents entered into Delphi based on the accomplished date. The Treasury accomplished date/month must be used in the Delphi system for confirming all cash transactions.

The Recon Team e-mails each ALC the preliminary FMS 224 report at least one day before the report is due to Treasury. Each OA must review the preliminary FMS 224 reports for accuracy. Verify that Section I of the FMS 224 report is equal to the amounts in FBWT USSGL 1010 that are designated as FMS 224 posting accounts. Verify that the disbursements in Section II and collections in Section III equal the amounts reported in Section I. Verify that the disbursement and collection amounts tie to the reconciliation details previously performed. If there are any errors, corrections, or questions, the OA must contact their Cash Operations Team point of contact (POC) for resolution prior to submission of the final report. After each OA has validated the report, the Recon Team submits the FMS 224 report to Treasury. The completed reports are e-mailed to responsible OA representatives.

OAs are responsible for obtaining the official FMS 224 report (by printing or requesting it from Cash Ops.). Each FMS 224 report should be certified (signed) by the designated person in the OA office. The official signed report and all backup documentation must be maintained by the responsible OA official for the audit.

After the FMS 224 has been submitted, Recon Team e-mails each ALC the FMS 224 Exception Report. The report has seven sections detailing various data entry problems/errors that affect the FMS 224 report. The e-mail will point out the items that need corrections before the next FMS 224 can be submitted. The report contains the following headings.

Section I:	Records appearing in current month from prior month
Section II:	Records appearing in current month from future period
Section III:	Records omitted from current month with future accomplish date
Section IV:	Records omitted from current month with incomplete data for interagency transfer
Section V:	Voided records omitted from current month with incomplete Refunds, Voids, and Chargebacks information
Section VI:	Records appearing in the current month where the Billing Agency Fund on Interagency Transfers form duplicates your agency fund
Section VII:	Records omitted from current month with incomplete organization information

For each category, the Batch Name and amount detail is provided. The OA must analyze the errors, make corrections, and, if necessary contact the Cash Operations Team POC for questions, discussion, and resolution before the next FMS 224 is due.

3.04.3.d Disbursements

Disbursements are cash payments made for goods/services received and benefits paid. Disbursement documents include Intragovernmental Payment and Collection (IPAC) system payments and collections, Regional Finance Center (RFC) payment schedules (1166) by check or EFT, check cancellation notifications, limited payability, Electronic Certification System (ECS) payments, Secure Payment System (SPS) payments (due to replace ECS) and any other manual or automated interface payment schedules processed through Delphi.

Disbursement documents are reported in Section II of the FMS 224 by accomplished month. Disbursement documents reported on the FMS 224 are compared to the original documents posted in Treasury's reporting system from commercial banks, Federal Reserve Banks (FRB), the RFCs, and IPAC. After the FMS 224 is submitted, a Statement of Difference (FMS 6652) for disbursements is prepared by Treasury for each month that the amount reported by the ALC is different than the amount reported by outside sources in Treasury's system. The FMS 6652 shows the amount reported on the FMS 224 by the ALC, the amount reported from outside sources in Treasury's system, and the calculated difference. Download these reports from GOALS II and retain in the monthly reconciliation file for audit.

There is a support listing of processed IPAC documents for each month that supports the "Treasury amount" on each FMS 6652. This is a summary level report by accomplished date and agency. The RFC agency link application in GOALS II lists processed schedules and canceled checks for each month by confirmed date. IPAC and limited payability detail is also available through the GOALS II application. The current full month's IPAC support listing and RFC agency link reports for the current FMS 224 reporting month are available on the first day following the end of the month that is to be reported. RFC and IPAC reports can be downloaded throughout the month as needed to provide additional detail that is not provided in the IPAC support listing. Download these reports from GOALS II and retain in the monthly reconciliation file for audit.

The Cash Operations Team provides each OA with a reconciliation of disbursement documents by ALC. The formats vary slightly depending on the Cash Operations Team POC. The reconciliation shows the document number, the amount recorded by Treasury, the amount recorded in Delphi, the increase/decrease to the FMS 224 (difference amount), the month cleared, and actions taken or to be taken to clear each difference. The month cleared is the month that the correction will appear on the FMS 224.

These reconciliations show the total amount of difference for the ALC and the document detail without regard to the fund to which the transactions are posted in Delphi. Each OA should verify that the information on this report is accurate by comparing the downloaded GOALS reports with the spreadsheet reconciliation. If the data is accurate, each OA may use the Cash Ops spreadsheet as a tool in performing the disbursement reconciliation. If the data is not accurate, the OA point of contact should contact the Cash Operations Team POC to discuss discrepancies, errors, and questions as needed.

Manual ECS payments must be entered in Delphi daily. All ECS payments must be reconciled at the end of each day. ECS payments entered in Delphi must be posted with the Treasury confirmation date as soon as it is available. Download the RFC agency link report from GOALS II daily to obtain the confirmation date. Document the reconciliation on a spreadsheet showing the schedule number, fund, amount, confirmation date, Delphi document number, if different, and the date entered into Delphi. Under no circumstances will a current month manual ECS payment be held for data entry into Delphi until the following month.

If the normal Treasury confirmation of a manual ECS payment takes one or two days, a decision should be made by the OA to cut off payments prior to the last working day of the month. For example, if Treasury confirmation of ECS payments takes two working days and a payment needs to be made on the last day of the month, a decision to hold the payment until after the first of the month should be made to avoid a statement of difference. Or the decision can be made to make the payment two days earlier.

The OA is responsible for clearing all FMS 6652 disbursement differences on subsequent FMS 224 reports for their ALC. FMS 6652 differences must be corrected no later than 30 days after the initial Treasury confirmation month. It is up to each OA to analyze each transaction and make corrections on the next FMS 224. Each OA is responsible for reconciling all disbursement documents within their ALC by fund. As documents are posted in Delphi, the OA has responsibility for verifying that the proper fund has been used for all transactions. The OA is also responsible for ensuring that the proper transaction codes have been used for each type of fund in accordance with applicable appropriation laws and USSGL posting rules.

The OA may use spreadsheets to do the disbursement reconciliation by fund. At a minimum, the reconciliation should show the Treasury schedule number or document reference number, the Treasury amount, the total amount of the document posted in Delphi and the fund or funds to which it was posted. This information should be available in Delphi. Compare the document detail amounts posted by fund to the amounts posted to Sections I and II of the FMS 224. Include the difference amounts from the FMS 6652s by document reference number or schedule number and Delphi document number by fund as reconciling items. Include transactions that may be posted to an incorrect fund and any unusual transfers between funds as reconciling items to be corrected on the next FMS 224.

When all transactions and differences are identified by fund, the reconciliation certification statement should be completed. Any items that cannot be corrected or posted in Delphi within the next 30 days (before the next FMS 224 reporting date) must be fully explained on the certification statement. Any outstanding FMS 6652 difference over 60 days old must also be fully explained on the certification statement. A monthly reconciliation is complete when all disbursements are posted to Sections I and II of the FMS 224 and the total amount of documents is equal to the amount posted by Treasury. That is, when no FMS 6652 differences are created.

All spreadsheets and documentation of the reconciliation must be maintained in the appropriate monthly reconciliation file for audit. The disbursement reconciliation certification must be signed and dated by the reconciler and supervisor and forwarded to B-30 by the 15th work day of the following month.

3.04.3.e Collections

A Federal agency collects cash from various sources for various reasons, and makes certain types of payments on cash collection documents. Collection documents include SF 215 Deposit Ticket and SF 5515 Debit Vouchers, which reduce previously deposited amounts. Certain types of ACH (EFT) payments, usually for grants from interfaced systems such as RASPS, Foxwire, ECHO, etc., are processed on SF 5515 Debit Vouchers.

Collection documents are reported in Section III of the FMS 224 by accomplished month. Collection documents reported on the FMS 224 are compared to the original documents posted in Treasury's reporting system from commercial banks and Federal Reserve Banks (FRB). After the FMS 224 is submitted, a Statement of Difference (FMS 6652) for collections is prepared by Treasury for each month that the amount reported by the ALC is different than the amount reported by outside sources in Treasury's system. The FMS 6652 shows the amount reported on the FMS 224 by the ALC, the amount reported from outside sources in Treasury's system, and the calculated difference. Download these reports from GOALS II and retain in the monthly reconciliation file for audit.

There is a support listing of processed deposit tickets/debit vouchers for each month that supports the "Treasury amount" on each FMS 6652. This is a list of all processed documents by accomplished date. The detail of the same documents is available through CA$HLINK. The current full month's CA$HLINK report for the current FMS 224 reporting month are available on the first day following the end of the month that is to be reported. CA$HLINK reports can be downloaded throughout the month as needed to provide detail information on a daily basis. Download the reports from CA$HLINK and retain in the monthly reconciliation file for audit.

The Cash Operations Team provides OAs with a reconciliation of collection documents by ALC. The formats vary slightly depending on the Cash Operations Team POC. The reconciliation shows the document number, the amount recorded by Treasury, the amount recorded in Delphi, the increase/decrease to the FMS 224 (difference amount), the month cleared, and actions taken or to be taken to clear each difference. The month cleared is the month of the FMS 224 that the correction will appear. These reconciliations show the total amount of difference for the ALC and the document detail without regard to the fund to which the transactions are posted in Delphi. Each OA should verify that the information on this report is accurate by comparing the downloaded GOALS/CA$HLINK reports with the spreadsheet reconciliation. The OA point of contact should contact the Cash Operations Team POC to discuss discrepancies, errors, and questions as needed. If the data is accurate, each OA may use the Cash Ops spreadsheet as a tool in performing the collections reconciliation by fund.

All grant or other payments from interface files (RASPS, FOXWIRE, ECHO, etc.) made by ACH on SF 5515 documents must be entered into Delphi on the day the interface processes the payment, which should also be the voucher date in CA$HLINK. The interface files must be reconciled to Delphi at the end of each day by comparing the detail interface data to Delphi data. Download the CA$HLINK report detail daily to obtain the confirmation date and verify amounts posted to Treasury. Compare the CA$HLINK report, interface file and Delphi data to determine the differences. Correct differences the next business day using the Treasury voucher date from CA$HLINK. Document this reconciliation on a spreadsheet showing the document number, fund, amount, confirmation date, and the date entered into Delphi.

If the normal interface process takes one or two days, a decision should be made by the OA to cut off payments prior to the last working day of the month. For example, if an interface file takes longer than one day to run in Delphi and a payment needs to be made on the last day of the month, a decision to hold the payment until after the first of the month should be made to avoid a statement of difference and/or a Treasury requested supplemental FMS 224. Or the decision can be made to make the payment a day earlier. On the last day of the month, when details from the previous day's interface are not properly recorded in Delphi, an accrual may be made to record the cash documents that should have posted but didn't. The accrual amount must be included in the proper fund to be reported on the FMS 224. Ensure that accrued cash documents are properly posted to the correct sections of the FMS 224 (disbursements in Section II and collections in Section III). After the beginning of the following month, all accruals must be reversed and the interface rejects must be loaded in Delphi at the detail level with the correct Treasury voucher date and reconciled again. Every effort should be made to correct rejected interface details the next business day to minimize the accrual amount. Under no circumstances will a current month interface payment remain unposted or unconfirmed in Delphi at the end of the month.

Each OA is responsible for clearing all FMS 6652 collection differences on subsequent FMS 224 reports for their ALC. FMS 6652 differences must be corrected no later than 30 days after the initial Treasury confirmation month. It is up to each OA to analyze each transaction and make corrections on the next FMS 224. Each OA is responsible for reconciling all collection documents within their ALC by fund. As documents are posted in Delphi, the OA has responsibility for verifying that the proper fund has been used for all transactions. The OA is also responsible for ensuring that the proper transaction codes have been used for each type of fund in accordance with applicable appropriation laws and USSGL posting rules.

The OA may use spreadsheets to do the collections reconciliation by fund. At a minimum, the reconciliation should show the Treasury document (215/5515) number, the Treasury amount, the total amount of the document posted in Delphi and the fund or funds to which it was posted. This information should be available in Delphi. Compare the document detail amounts posted by fund to the amounts posted to Sections I and III of the FMS 224. Include the difference amounts from the FMS 6652s by document number and Delphi document number by fund as reconciling items. Include transactions that may be posted to an incorrect fund and any unusual transfers between funds as reconciling items to be corrected on the next FMS 224. Include accrued amounts as reconciling items to be corrected on the next FMS 224 reporting cycle.

When all transactions and differences are identified by fund, complete the reconciliation certification statement. Any items that cannot be corrected or posted in Delphi within the next 30 days (before the next FMS 224 reporting date) must be fully explained on the certification statement. Any outstanding FMS 6652 difference over 60 days old must also be fully explained on the certification statement. A monthly reconciliation is complete when all collection documents are posted to Sections I and III of the FMS 224 and the total amount of documents is equal to the amount posted by Treasury. That is, when no FMS 6652 differences are created.

All spreadsheets and documentation of the reconciliation must be maintained in the appropriate monthly reconciliation file for audit. The collections reconciliation certification must be signed and dated by the reconciler and supervisor and forwarded to B-30 by the 5th work day of the following month.

3.04.3.f Suspense Accounts (Funds)

Definitions of every type of fund authorized by Treasury can be found in I TFM 2-1500. There is not a specific fund type authorized by Treasury called "suspense" accounts (funds). This term is commonly substituted for clearing accounts because "suspense" has remained a part of the official title of some of the clearing accounts. Also, Treasury's former practice included transferring amounts posted to clearing accounts over 6 months old into "suspense" so that they no longer created the FMS 6652s. In this policy, suspense accounts are clearing accounts and the terms "suspense" and "clearing" are interchangeable.

Treasury "suspense" accounts are not the same as Delphi "suspense" accounts. Delphi suspense accounts refer to FBWT accounts (USSGL 1010XXXX) set up to temporarily hold transactions resulting from conversion or other data that has never been properly posted through Delphi system modules. Identify and research all prior year G/L suspense account postings. If no supporting documentation can be found for these items, a determination will have to be made by the OA where to post the transaction. The fiscal year will be determined by the period of availability.

All G/L suspense accounts must be reconciled and closed at September 30. Continued use of these accounts is prohibited. New suspense accounts may no longer be set up in Delphi. Under no circumstances will appropriation law be violated when clearing G/L suspense or conversion account balances to zero.

3.04.3.g Clearing Accounts (Funds)

Clearing accounts were established by Treasury for all agencies to temporarily hold unidentified general, special, or trust collections that subsequently will be credited to the proper receipt or expenditure account of the agency. They are identified by an “F” preceding the last four digits of the fund symbol and the last four digits are in the major class “3800-3899” series fund group (I TFM 2-1520.25, 1525.10 and 1530.10). The clearing accounts are sometimes referred to in TFM guidance as “Budget Clearing Accounts” and by the financial community as “suspense accounts.” This is because the amounts reported in clearing accounts are in the general fund and considered to be “on budget,” meaning they are included in the President’s budget.

Commonly used clearing accounts include the following:

Fund Symbol	Fund Title	Type of Transactions
__F3875	Budget Clearing Account (Suspense)	Unidentified non-Federal cash transactions
__F3880	Unavailable Check Cancellations and Overpayments (Suspense)	Unidentified check cancellations and overpayments
__F3885	Undistributed Intergovernmental Payments	Unidentified Federal cash transactions and IPAC

These funds were never designed to hold funds indefinitely. Each OA is responsible for reconciling all transactions posted to all clearing accounts monthly. Current and prior year suspense balances must be cleared by September 30 of the current fiscal year. Clearing account balances must be zero at year end.

Reclassify all clearing account transactions to the correct TAS on the next SF 224 reporting cycle, but no later than two months after the accomplished date. Reclassify using the proper Delphi method for clearing IPAC transactions. As a receiver of IPAC transactions, this process may involve contacting the other agency for validation of the billing amount. When it is determined that the billing is valid and supporting documentation has not been received, contact the agency for the supporting documentation and reclassify to the correct TAS in Delphi. This will have a net zero effect in Section I of the FMS 224 and no effect in Section II or III.

When it is determined that the billing agency has billed an incorrect ALC or the billing is in error, prepare an adjustment (commonly known as a chargeback). Process the adjustment in the same clearing account and fund in Delphi to ensure that Section I transactions net to zero with no effect in Sections II or III.

IPAC payments and collections will not be automatically posted to suspense accounts. The fund must be identified prior to posting in Delphi. If an IPAC transaction cannot be identified within the month in which it was accomplished and supporting detail documentation is not available, an adjustment (chargeback) must be processed within the same accomplished month. The chargeback process must be documented and maintained in the reconciliation file in the month in which the transactions occurred according to the accomplished month. The original payment/collection must be posted in Delphi using the document reference number and the adjustment must also be posted in Delphi using the document reference number. Post both transactions in Delphi and ensure that the proper trading partner information is posted in Delphi and can be reconciled with appropriate agencies.

All outstanding transactions in clearing accounts charged to the ALC must be included in the interim financial statements. To determine the outstanding balance in suspense accounts, download the FMS 6654 Undisbursed Appropriation Account Trial Balance report from GOALS. Compare to the G/L balance in appropriate 1010 FBWT accounts to the ending balance on the reports. Identify differences and correct postings to the proper fund in Delphi. Clearing account balances must be posted to the correct fund so that they will be automatically included in the financial statements with proper budgetary accounting. If the correct fund cannot be determined because the backup documentation is unavailable or there is not sufficient time to identify the proper fund, the OA should determine whether a chargeback should be processed or if an early cutoff of IPAC activity should be considered. Continue to reconcile the amounts in clearing accounts until they are completely cleared. Every effort should be made to ensure that over-obligation does not occur. All clearing account balances appearing on the FMS 6654 report must be cleared to zero by September 30.

Identify and research all prior year clearing account postings. If no supporting documentation can be found for postings, and it is too late to do a chargeback (a year has passed), a determination will have to be made by the OA where to post the transaction. The fiscal year will be determined by the period of availability. Under no circumstances will appropriation law be violated when clearing "F" fund account balances to zero.

3.04.3.h Deposit Accounts (Funds)

Deposit funds were created by Treasury to temporarily hold funds received from the public. Outside of payroll, savings bonds, and State tax deductions, there are only two types of deposit funds that are authorized for use by agencies: (1) deposits received from outside sources for which the government is acting solely as a banker, fiscal agent or custodian (custodian type fund); and (2) moneys temporarily held while awaiting distribution based on a legal determination (temporary fund).

All deposit funds must be reconciled and analyzed monthly. For custodial type deposit funds, disbursements must be made in a timely manner. When it is determined that funds in a temporary deposit fund belong to the government, a posting should be made to the correct fund as soon as is practicable. Upon determination that the funds do not belong to the Government, a refund must be made as soon as is practicable.

Download the FMS 6654 reports to obtain the correct ending balances. Custodial type deposit funds that have had no activity in the current fiscal year must be analyzed to determine if the purpose and program is still valid. If not, then arrangements should be made with OMB and Treasury to discontinue the fund. For temporarily held funds with no current activity, activity in the fund must be analyzed and immediate action must be taken to clear the transactions to the proper fund or refund without delay. After reviewing the FMS 6654, any transactions residing in fund X6875 must be cleared to zero by September 30. The account must be closed because it is no longer valid.

At year end, all transactions residing in deposit funds must be analyzed, justified, and certified correct by the OA. Certifications must be forwarded to B-30 no later than the 15^{th} working day of the month following the end of the reporting month. Under no circumstances will appropriation law be violated when clearing deposit fund balances and no deposit funds will have a negative cash balance.

3.04.3.i Fund Balance With Treasury (FBWT) USSGL 1010

A reconciliation of the Delphi adjusted trial balance account 1010 FBWT to Treasury's reported FBWT is required monthly. This reconciliation must be performed by fund. All funds must be reconciled. The monthly, quarterly, and annual financial statements will include the FBWT as stated in the Delphi trial balance. All other funds that are not included in the financial statements must also be reconciled monthly, i.e. available and unavailable receipt accounts. OMB Circular A-11 and TFM regulations require that cash balances in funds have a positive balance. At year end, Treasury and OMB regulations require that no cash balances be negative. Discrepancies with Treasury fund balances are disclosed in the footnotes to the financial statements.

Every month, download the FMS 6653, Undisbursed Appropriation Account Ledger, FMS 6654, Undisbursed Appropriation Account Trial Balance, and the FMS 6655 Available and Unavailable Account Ledger and Trial Balance reports from the GOALS II system at Treasury. Run a Delphi trial balance showing the 1010 FBWT balance. If necessary, run the detail of all 1010 accounts that make up the trial balance amount. Retain these reports in the reconciliation file for the audit.

When comparing the FMS 6653/4 balance with the appropriate 224 posting FBWT 1010 accounts in each fund's pre-closing trial balance, the balance in account 1010 should be the same as the ending balance reported by Treasury. The balances should be equal because all cash transactions posted in Delphi from modules posted to the G/L and were reported on monthly FMS 224 reports by fund in Section I. All FMS 224 transactions submitted to Treasury via GOALS II are included in the FMS 6653 report. Therefore, the ending balance calculation on the FMS 6653 or FMS 6654 should be the same as the balance in the G/L. However, the G/L FBWT usually differs from Treasury's reports. This is usually caused by FMS 6652 differences.

The Recon Team provides the monthly fund reconciliation to the OA's. However, it is the OA's responsibility to do the reconciliation, take action to clear differences, and maintain the supporting documentation for the audit. The Recon Team prepares a spreadsheet comparing the 6653 or 6654 balance with the USSGL 1010 FBWT account balance and shows the calculated difference. It is e-mailed to the appropriate OA POC. Verify that the amount shown on the reconciliation report is the same as the balance on the downloaded 6653 or 6654 (ending balance is always the same). If the ending balances are different, contact the Recon Team point of contact for questions, explanations, or corrections.

The OA should use the Recon Team reconciliation reports in their individual reconciliation processes. Each OA is responsible for implementing its own procedures and processes. The provided reconciliation report shows detail transactions making up the difference. The OA is responsible for analyzing each difference and taking action to clear them. Make all corrections in the appropriate Delphi module using the proper confirmation date and correct fund before the end of the next SF 224 reporting period. These processes should have already been completed during the FMS 6652 reconciliation by fund. If the FMS 6652 differences are not completely cleared, for whatever reason, the next month's FMS 6652 difference amounts can be predicted before the FBWT reconciliation is completed.

In addition to performing the FBWT to G/L reconciliations, each OA is responsible for reviewing the FMS 6654 report monthly. All indefinite (no year) funds that have had no activity for two years must be analyzed to determine if they are still valid. Use the Accounting Date column on the report to determine the two year time frame. Indefinite funds that have not had activity in 2 years must be closed at September 30. Follow the procedure in the TFM for canceling no year funds at the end of the year in FACTS II (FMS 2108) and, if a fund balance remains, return to Treasury. If the funds are not valid for FACTS II reporting, follow TFM guidelines for canceling funds. If there is some doubt about whether or not to cancel a fund, research the code/laws governing the fund, discuss with appropriate OA budget staff and take appropriate action. Provide explanations for not closing an inactive fund on the reconciliation certification.

Research and analyze all funds showing negative balances. Make corrections or take other appropriate action to close balances by September 30.

Retain all reconciliation spreadsheets, working papers, reports and any other supporting documentation in the reconciliation file for the audit. Certifications must be forwarded to B-30 no later than the 15th working day of the month following the end of the reporting month.

3.04.4 System Reconciliation

3.04.4.a Background

Delphi is the official accounting system for the Department of Transportation. The basic principle of the President's Management Agenda calls for improving financial performance by providing timely, reliable, and useful information to management and the public. In accordance with this principle, OMB has significantly accelerated financial reporting due date for year-end and quarterly reporting. One way to improve financial management is by system reconciliation. System reconciliation is mandatory to ensure that Delphi includes all pertinent financial transactions and disclose all essential facts; to ensure report data will be developed directly and supported by Delphi, and; that data will be reported on a consistent basis from one period to another.

There are several different components in reconciling systems: Integrity reports, data correction, system reconciliation, and module reconciliation.

3.04.4.b Integrity Reports

Purpose: Integrity reports were developed to assist users in identifying data errors, unposted transactions, unapproved transactions, and unconfirmed cash transactions. These items need to be corrected so that the data in Delphi is accurate, consistent, and reliable and provides the true status of each expense, revenue, and funding for each OA and DOT.

Defined: Delphi Integrity reports, customized Web reports, are considered 'exception reports' and can be executed at any time of the day, month, and year. They are used to assist in data correction and interface, and module reconciliation. The following is a sample list of these reports. Some have drilldown capacity for further detail.

AP00012 Payable interfaces not processed
AP00013 Invoices on hold
AP00057 Suspense uncleared report
AR00016 Incomplete Invoice
AR00120 Accounts Receivable Payment interface
GL00008 Budgetary balance
GL00010 Proprietary balance
GL00012 Unposted/Error journals
GL00014 G/L Import errors
GL00018 Interfaces not posted
GL00023 FACTS II Edit check
GL00023 FACTS II Exception
GL00055 G/L open status
GL00104 Pre-closing entries exception report
GL00107 G/L vs. Year end closing-Multiple
GL00107 G/L vs. Year end closing-No-Year/Single

GL00172 Proprietary vs. budgetary
Payment Batches confirmed
Revenue lines not pushed to G/L
Payment batches not confirmed
Prepayment vs. G/L Account 4802
Accounts Payable to G/L.

Some of these reports will show: transactions with no transaction code, transactions on hold, incomplete transactions, unposted transactions, listings of uncleared suspense items, interfaces not processed or rejected, 224 exceptions, FACTS II exceptions, reconciliation of all Account Payable balances compared to certain USSGL account ending balances in the G/L, and unbalanced proprietary and budgetary debits and credits. Some of the reports also provide the reason the transaction did not post properly.

Policy

At a minimum, Integrity reports, with the exception of FACTS II reports, should be run at least once a month prior to closing the period. Running these reports and correcting these transactions daily or weekly will facilitate the deadlines mandated by OMB and Treasury.

With the information from these reports, users should correct these exceptions so that their financial statements will be more accurate. FACTS II Integrity reports must be run prior to the FACTS II submission to FMS. At the end of the reporting period, a listing of open transactions must be forwarded to management for review.

3.04.4.c Data Correction

Purpose: Data correction is needed so that the data in Delphi is accurate, consistent, and reliable and provides the true status of each expense, revenue, and funding for each OA and DOT. The correction and resubmission of incorrect data are vital to the accuracy of the accounting records.

Defined: Data correction is needed to either delete corrupt or modify incomplete data, to ensure more reliable and accurate accounting records. Delphi integrity reports can assist users in identifying data that needs to be corrected.

In an attempt to expedite the month-end process, Delphi has the ability to 'sweep invoices' into the next period. This process moves incomplete/unapproved invoices, payments, and unresolved posting exceptions forward into the next period delaying the adjustments needed so that transactions will post properly.

Delphi will not be able to close at the end of the period due to the following errors:

1. Purchase Order is in process.
2. Accounting entries with Error account status in Accounts Payable.
3. Import errors in the Projects Accounting module.
4. Unposted journals/error journals in G/L.
5. Import errors needing correction in G/L.
6. Incomplete data for Inter-Agency Transfer (IAF missing) in Accounts Receivable.

Policy

Data correction will be done daily and should be done by those responsible for the error. This will ensure that the data is accurate and ready for reporting. Failure to perform data correction will cause the system to be out of balance, and data to be incomplete, thereby jeopardizing the integrity of information coming from Delphi.

No transactions will be allowed to be swept into the next period. A listing of open items that have not been cleaned up will be forwarded to the financial manager prior to the end of the month for action.

To enhance data correction, OAs shall produce written procedures.

3.04.4.d Interface Reconciliation

Purpose: The purpose of interface reconciliations is to verify that the data flow is consistent and accurate when data is electronically transferred from one system or interface to another.

Defined: Journal transactions may originate in external subledgers or external feeder systems. These transactions need to be imported into Delphi. Depending on the system, they may be imported daily, weekly, or monthly. After importing, every process (including batches, journal entries, and journal lines) must be checked to ensure that the import is correct and complete.

Policy

All interfaces will be reconciled with applicable G/L accounts. Interface reconciliation will be performed every time a related Delphi module or external subsidiary ledger is interfaced into another Delphi module. Using Delphi integrity reports or customized reports, the interfaces are to be reviewed to ensure that all transactions are properly posted. Interface transactions that do not properly post must be corrected prior to the end of the period so that they post in the proper period. Interface exceptions that are still open at the end of the month must be forwarded to the financial manager for action.

To assist in this reconciliation, the data transfer programs must be run in all the subledgers to ensure that all resulting journals are imported and posted in the G/L. Confirmation is then needed to verify that all interfaces have been run and any period exception reports have been corrected and successfully imported.

To expedite the reconciliation process, interfaces should post to Delphi control accounts only. This will prevent direct and manual mixing of journal entries into the G/L.

OAs shall produce written procedures to reconcile interfaces.

3.04.4.e Obligation Review

Purpose: Obligation review supports funds control and ensures adequate funding is available to eliminate deficiencies.

Defined: An obligation is a binding agreement that will result in either immediate or future outlays. Obligations are entered into Delphi and funds are reserved to cover all open obligations.

Policy

For proper funds control and to ensure adequate funds are available, OAs should enter all obligations into Delphi as soon as the obligation becomes valid. OAs should continue to monitor their open obligations to ensure that existing obligations are still valid. This review must be done by purchase order number to ensure that all obligations are reviewed. During the obligation review time limits, purpose, adequacy of available funding, and obligation limits must be reviewed to ensure validity. Timely removal of (or de obligation) invalid unliquidated obligations is mandatory, and should be performed quarterly to ensure the funds are deobligated prior to year end.

Procurement officials, in conjunction with program managers, should review all open obligations from the prior year to ensure their accuracy and completeness. The reviewed list of open obligations should then be approved by management.

OAs shall produce written procedures to review obligations.

3.04.4.f Module Reconciliation

Purpose: Module reconciliation is needed to verify that accurate, consistent, and reliable data is posted completely to Delphi from all the subledgers that interface with Delphi.

Defined: Module reconciliation verifies that all Delphi subledgers and external accounting and reporting systems have been transferred and posted among the modules.

Policy

At a minimum, modules should be reconciled at least once a month prior to the end of the period. This includes Accounts Payable, Accounts Receivable, Projects Accounting, Fixed Assets, and Purchase Orders. A listing of outstanding items in the module reconciliation process should be forwarded to the financial manager before the end of the month for action.

OAs shall produce written procedures to reconcile modules.

SECTION 4: CASH MANAGEMENT

4.01 BILLINGS AND COLLECTIONS

This subsection provides a summary of the Department's billing and collection policies and practices. It emphasizes the importance of prompt billing and timely collection of receivables for goods and services provided by the Federal Government, which helps lessen the need for Federal borrowing.

Collections from Federal entities should be through expenditure transactions whenever possible. Usually these transactions will be made using the Intragovernmental Payment and Collection (IPAC) system. When checks or Electronic Funds Transfer (EFT) payments are received, these procedures are to be applied.

Collections, whenever possible, must be accomplished using EFT methods. Additionally, billings should conform to Electronic Data Interchange (EDI) standards and formats.

4.01.1 General Policies

Establishing Procedures: It is the policy of the Department that all financial managers establish procedures to bill and collect amounts due as quickly and as efficiently as possible. To achieve this objective, OA employees responsible for preparing invoices for goods or services to those outside the Federal Government shall ensure that each invoice is prepared within one-working day following the day the billing office is advised that the goods have been shipped or released, or the services rendered. In the event the one-day billing rule is not cost effective, billing must be prepared no later than five-working days from the date the amount is recorded as an account receivable.

Furthermore, it is the Department's policy that each OA establishes and maintains effective internal control procedures consistent with GAO's and Treasury's requirements.

Collection Procedures: Collection procedures established by OAs should ensure that:

- The collection and deposit of funds will be made timely and in a way that is most advantageous to the Federal Government, with collection by EFT through the Automated Clearing House (ACH) being the preferred method of receiving funds.

- A reconciliation of all deposits will be performed between the Treasury's records and those maintained by each accounting office, at a minimum, after the close of each month.

- If it is not immediately known which appropriation or deposit account a particular collection is to be recorded against, that collection must nonetheless be temporarily deposited in a suspense account. Monthly reconciliations should be made to ensure any amounts in suspense are posted to the proper accounts as soon as possible.

4.01.2 Billings

Payment Standards: Contracts, agreements (including financial assistance agreements), or other formal arrangements under which goods or services (or financial assistance) are provided to an individual or entity outside the Federal Government, will include payment terms and provisions that at a minimum:

- specify when payment will be due, i.e., due date or the manner for determining the due date based upon delivery of goods or completion of service;
- require that payment be received no later than the due date;
- provide for payment by EFT, including sufficient banking information to enable the EFT payment to be made;
- provide for late charges in the form of interest, penalties, and administrative charges for payments received after the due date;
- state that the amount invoiced is the net amount due; and
- specify the EFT banking address, or the finance or accounting office (or lockbox if appropriate) to which the remittance is to be sent.

Billing Due Dates: Collections under an invoice are normally made within thirty days from the date of the invoice. This assumes satisfactory completion of the work or service and timely delivery. If the customer contests the adequacy of the work or services and the performing OA agrees to correct the defect, the billing date will be extended until satisfactory performance is achieved.

If the supplies have been delayed in shipment and the customer refuses to make payment until the supplies have been received, the performing OA will determine whether an extension is justified. The performing OA will advise the billing office when any extension of the normal due date is warranted. In no event will the due date be extended beyond 15 days following receipt of the supplies from a customer located in the contiguous 48 States.

The due date may be extended to 45 days following delivery to customers located outside the 48 contiguous States.

Actual Value Determinable: When the actual value of the goods and services can be determined, the due date will not be more than 30 days from the date of the invoice.

Actual Value Not Determinable: If the actual value of the goods or services cannot be determined on the day the invoice is scheduled for preparation, and the estimated value is less than $50,000, billing will be performed within one working day after the actual value of goods or services is determined. If the actual value cannot be determined on the day the invoice is to be prepared, and the estimated value is $50,000 or more, partial billing, identified as such, will be performed for not less than 75 percent of the estimated value. A statement that the final billing will be completed when the actual value is determined will accompany the billing. Partial billing will also be performed when the estimated value is less than $50,000 and is cost effective.

4.01.3 Overdue Amounts

User Charge Billings: The general policy of the Department is to make reasonable and equitable charges for goods or services rendered to the public, consistent with program and legislative requirements. User charges will be collected in advance of, or simultaneously with, the rendering of services unless appropriations and authority are provided in advance to allow reimbursable services.

Charges for Late Payments: When a remittance is received after the due date, interest will be applied at a rate based on the current value of funds to the Treasury, unless waived under the Department credit and debt management regulations. Also, delinquent debts owed by persons or organizations will be assessed an administrative charge to cover the costs of processing and handling delinquent claims, and assessed a penalty charge for failure to pay any portion of a delinquent debt. Debtors are entitled to an administrative hearing under 31 C.F.R. 901.3 (b)(4).

Effect of Contracts and Other Arrangements: Payment of amounts owed by businesses and individuals are expected to be made under the terms stated in the contract, agreement, or notification of indebtedness.

When Formal Arrangements Exist: Except when prohibited by law, all OAs will provide notification of the application of charges for late payments in all contracts, agreements, or other formal payment arrangements.

When Formal Arrangements Do Not Exist: Initial notification of amounts due the OA, which are not covered by contracts, agreements, or other formal payment arrangements, will inform the debtor of the basis for the indebtedness, the payment date (due date), and the requirement on charges for payments received late.

Interest Rate Charged: The interest rate to be charged on late payments from the public will be the Treasury current value of funds rate. This rate, which is calculated by Treasury, is subject to quarterly revisions. Revised rates are published in the Federal Register each year by October 31, to become effective January 1 and in the Treasury Financial Manual, Volume 1, found and updated on Treasury's website.

Interest charges based on the current value of funds rate will be applied to the overdue payment for each 30 day period or any portion thereof, unless a different rule is prescribed by statute or regulation. In the cases of partial late payments, the amount received will first be applied to the accrued interest and then to principal. The application of interest does not relieve the debtor from paying when due, nor does it relieve OAs of their responsibilities to take measures to collect debts under the Federal Claims Collection Standards (4 C.F.R. 101-105).

Exception to Application: When a customer has paid the basic invoice, but not interest, the billing office should decide whether it is economical to waive the interest in view of the collection costs that may be incurred. Questions on the propriety of waiving interest should be referred to the OA's Office of the Chief Financial Officer.

Authorized Scheduled Payment of Delinquent Accounts: OAs should collect overdue amounts in one lump sum; however, if the debtor is financially unable to pay in one lump sum, the OA may accept regular installment payments. Such repayments should be sufficient in size and frequency as to liquidate the debt (except specified mortgages) within three years. Agreements should state that administrative charges and penalties will be assessed on delinquent payments.

Criteria for Waiving Charges: When an OA determines that the administrative cost of collecting late charges exceeds the amount of the charges, the imposition of late charges may be waived. However, the criteria for such determination must be reflected in keeping with the Department's debt management regulations and documented in the audit trail for the particular transaction. As guidance, the imposition of a late charge may be waived when the administrative costs of billing and collecting a late charge exceed the charge. Within the Department, these administrative costs are determined to be 25 dollars.

OAs may also waive the imposition of late charges when it is determined that the delivery of the supplies or services was delayed through no fault of the customer, and the customer did not have at least 15 working days following the date of the delivery to make payment. In the case of a delivery outside the contiguous 48 States, the period for waiving the imposition of a late charge may be extended to 45 calendar days following delivery.

Deposit of Late Charges: Late charge collections will be promptly deposited for credit to the Treasury General Account unless statutory authority exists to the contrary.

Effect on Loans: Unless contrary to statute, OAs authorized to make loans will include in loan agreements provisions for imposing late charges. Late charges will be imposed when the borrower is delinquent under the terms of the loan agreement. When an OA has the authority to modify or extend the period for repayment of a delinquent borrower, late charges should be applied to the delinquent amounts until the total amount due has been recouped. The rate for the interest charge should be equal to the current borrowing rate incurred by Treasury for an instrument of approximately the same duration as the repayment arrangement made, unless a different rate is required by statute.

4.01.4 Collections

Timing: Proper cash management involves efficient and timely collection of amounts owed the Government. To achieve this collection goal, Treasury has established the following requirements (31 C.F.R. 206):

- OAs will achieve same day deposit of funds. Where same day deposit is not cost-effective or possible, next day deposit of funds must be achieved. OAs will also deposit Treasury checks received from other Federal agencies on the same day as received consistent with all other deposit time frame requirements.

- OAs will make deposits at a time of the day before the depositary's specified cutoff time, but as late as possible to maximize daily deposit amounts.

- OAs may make multiple deposits when cost beneficial to the Government.

Exceptions to the above policies are:

- Collections of less than $5,000 may be accumulated and deposited when the total reaches $5,000. However, in no case will deposits be made less frequently than weekly.

- The mailing of deposits to depositories (including Federal Reserve Banks or financial institutions) may be used, if approved by Treasury's Financial Management Service, when all other methods of deposit cannot be cost-justified or no other method of deposit is available. In these cases, the deposit time frame requirements apply to timely mailing of deposits.

4.01.5 Methods of Collections

Each OA is to establish procedures consistent with GAO requirements to receive funds for credit to the account of the Treasury, and to account internally for those funds. They are to be also aware of and follow Treasury's procedures for making deposits into the banking system, receiving public funds into the banking system of moneys owed the Government, and the transfer of funds between agencies. All funds are to be collected by EFT when cost-effective, practicable, and consistent with current statutory authority. EFT mechanisms may include ACH, credit card or debit card, or Fedwire.

OAs should generally consider mechanisms in the following order of preference:

- Automated Clearing House (ACH)
- Fedwire (for deposits requiring same-day settlement)
- debit/credit card (when cost effective)
- lockbox
- Treasury's General Account (TGA)

Treasury Central Accounting: Treasury has three types of receipt accounts: general funds, special funds, and trust funds. Of these three, the general and trust fund accounts are primary to the cash inflow considerations at the Department.

The general fund account has three major classes: taxes, custom duties, and miscellaneous receipts. Of the three, the miscellaneous receipts account is the only one that applies to the Department. In short, all funds collected at the Department generally will be deposited into one of the line item accounts unless statute provides to the contrary (i.e., deposit in a special or trust fund). Furthermore, collections must be recorded in accordance with the USSGL at the transaction level.

See Section 10 for discussion on the special and trust fund.

4.02 DISBURSEMENT

4.02.1 General

This subsection prescribes standards to increase the reliability of the Department's disbursing systems. It also provides the policy for establishing Electronic Funds Transfer (EFT) as the standard method for making Federal payments. Proper electronic documents and proper digital signatures are deemed equivalent to paper documents and manual signatures. Standards for retention of paper payment support documents at remote field locations are established. Risk categories for Federal payment, collection, and collateral transactions, as established by the Department of Treasury, are referenced and adopted.

4.02.2 Policy

All OAs are to use EFT when disbursing Federal funds. This requirement applies whether the payment is recurring or nonrecurring. Exemptions to this requirement will be noted. Furthermore, all contracts for goods or services should include a clause requiring all payments to be by EFT.

Small purchases (under $2,500) must, whenever possible, be made using a SmartPay Purchase Card. In some instances, purchase card account holders may be authorized to hold and use account-related convenience checks for payments to vendors who do not accept credit cards.

Imprest funds will be eliminated whenever possible, or reduced in value to the minimum dollar level required to support operational requirements. Convenience checks are to be used to reduce reliance on the use of imprest funds.

Digital signatures are recommended to be: (1) unique to the signer; (2) under the signer's sole control; and (3) capable of verification. In addition, the signature should be linked to the data in such a manner that if the data is changed, the signature is invalidated. The technical standards for digital signatures are set forth in Federal Information Processing Standard (FIPS) 186-2, Digital Signature Standard (DSS), [Federal Register, February 15, 2000 (Volume 65, Number 31).

Paper documents supporting vendor payments or travel claims, under procedures contained herein, may be retained at remote field locations.

Third-party drafts are not presently authorized for use by DOT.

All payments to Federal employees must be made by EFT direct deposit, unless the employee does not have a bank account, or unless the employee asserts a hardship waiver.

OAs must make it clear at the earliest possible point of contact with intended payment recipient that the submission of their Taxpayer Identification Number (TIN) and banking information to facilitate payment by EFT is a condition for payment. When collecting banking information units may use such methods as telephone voice response systems, electronic forms, the SF 3881 Automated Clearing House (ACH) Enrollment form, or any other means.

OAs must manage procurement activities to achieve the lowest cost to the Government for property and services purchased, while maintaining good business relationships with suppliers. To achieve this goal, OAs shall:

- pay bills by the established due date;
- pay interest on bills paid late, which are subject to the Prompt Payment Act, without businesses requesting late penalties; and
- take economical cash discounts, routinely, consistent with applicable Treasury guidelines and Prompt Pay Act Requirements.

4.02.3 Responsibilities

The head of each office making payments shall maintain appropriate internal controls to process payments in the correct amount and payable to the proper vendor. Particular attention should be given when assigning to a third party any payments due to vendors. The head of each office making payments shall ensure that records or voucher-schedules sent to the disbursing officers for payment are kept by the office making payments according to appropriate retention schedules (for most financial transactions, this is 6 years and 3 months). Such records must be made available for review by the Department's Inspector General and/or the GAO for audit and settlement.

4.02.4 Disbursements for Goods and Services

4.02.4.a Financial Provisions of Contracts, Purchase Orders, and Invoices

A copy, or electronic copy, of each issued purchase order or contract will be furnished promptly to the paying finance office. After receiving a purchase order or contract, the finance office will review its provisions to determine if the document contains all data needed, including banking information, to make a timely and accurate payment(s) by EFT.

If the finance office determines that the provisions are deficient, it will notify the contracting or procurement office immediately to request that the necessary modification(s) be made.

Contracts and Purchase Orders: Each contract, purchase order, or an electronic equivalent thereof, issued to a business for procuring either goods or services must include:

- a payment due date 30 days after receipt of invoice, unless otherwise specified;
- a specified acceptance period following delivery to inspect and/or test property furnished or to evaluate services performed;
- any discounts offered;
- name, title, phone number, e-mail address, and complete mailing address of the responsible Government official(s) in the designated receiving office;
- name, title, phone number, e-mail address, tax identification number, and complete mailing address of the contractor receiving the payments;
- for agreements covered by the Prompt Payment Act, reference requirements under the Act (including the payment of interest penalties on late invoice payments and progress payments under construction contracts); and
- language from the Federal Acquisition Regulations that supports the use of electronic funds transfer, electronic billing and the collection of EFT banking information.

Electronic signatures meeting those standards established by NIST are deemed acceptable and equivalent to manual (on paper) signatures.

Invoices: The following information constitutes a proper invoice and is required as payment documentation:

- name of vendor/contractor and invoice date (vendors/contractors are encouraged to date invoices near the delivery date of goods or services);

- contract number, purchase order number, or other authorization for delivery of property or services;
- description, price, and quantity of property and services actually delivered or rendered;
- shipping and payment terms;
- other substantiating documentation or information required by the contract; and
- name(where practicable), title, telephone number, and complete mailing address of responsible official to whom payment is to be sent.

Invoices must include the vendor's Taxpayer Identification Number (TIN) and sufficient banking information to enable payment to be made by EFT and may be either hard copy or electronic copy.

4.02.4.b Special Provisions of Blanket Purchase Agreements

All shipments under a blanket purchase agreement (BPA) must be accompanied by a delivery ticket or sales slip to be signed by the requisitioner or receiving individual within the OA. The signature, or electronic approval, of that individual will signify acceptance.

A copy of the delivery ticket signed by the requisitioner or receiving individual in the OA must accompany invoices sent to the finance office for payment, or may be retained in the field. Each delivery ticket must contain:

- name of contractor;
- BPA number and the Federal Supply Schedule number (if applicable);
- purchase date;
- call order number;
- accounting code data;
- name of individual placing call and telephone number or electronic order reference;
- itemized list of supplies/services;
- quantity, unit price, less applicable discounts; and
- delivery date.

A summary invoice must be submitted monthly or within the first sixty days after the BPA expires, whichever occurs first, for all deliveries made during a billing period, identifying the delivery tickets covered therein, stating their total dollar value, and supported by receipted copies of the delivery tickets.

Vendors not submitting monthly summary billings, as required under the BPA, will be paid as follows: Per call order billings received between the first and the last day of the month will be paid within thirty days from the last day of the month.

The period for any discounts will begin the final date of the billing period or on the receipt date of summary invoices for all deliveries accepted during the period, whichever is later.

4.02.5 Receiving Reports

Preparation, Content, and Receipt of Receiving Reports: OAs will ensure that receipt and acceptance reports are executed or electronically approved promptly. The following information is required on a receiving report:

- Contract or other authorization number;
- Product or service description;
- Quantities received, if applicable;
- Date(s) property or service was delivered and accepted; and
- Signature (or electronic alternative when supported by appropriate internal controls), printed name, title, telephone number, and mailing address of the receiving official.

Receiving reports must be sent in time to be received by the servicing payment center by the fifth business day after receipt or acceptance of goods or services. Since the untimely receipt of these reports is the primary reason for late payments, payment offices are to work closely with the appropriate officials in their OA to ensure that receiving reports are sent to the payment office timely.

Designated receiving and payment offices must stamp receiving reports and invoices or electronic payment orders with the date received in that office. Where performance does not satisfy contract provisions, the responsible purchasing or contracting office will notify the business concern no later than 7 days from receipt. A copy of the improper invoice with a notation of the date returned to the vendor should be kept in a central file for reference.

4.02.6 Vouchers

Audits of Vouchers: Effective control over disbursements generally requires that the certifying officer audit and approve vouchers before certifying for payment. Automated control procedures and computer assisted audit techniques can provide viable alternatives to the traditional requirement for the 100 percent prepayment examination of vouchers. OAs can use such techniques to reduce the need to conduct 100% audit of vouchers.

Specifically, post statistical sampling audits may be used for vouchers, including travel vouchers, up to $2,500. Vouchers exceeding $2,500 are subject to a 100-percent audit. All payments made with a convenience check are subject to a 100-percent review or audit.

When an invoice is received in the payment office, it becomes a voucher (or electronic voucher) that is used during the prepayment audit. The objectives of the prepayment audit of a voucher are to ensure that:

- Required administrative authorizations for procuring and approving the payment were obtained;
- Payment is legal and complies with the terms of the applicable agreement;
- Payment amount and the payee name are correct;
- Duplicate payments are prevented;
- Goods received or services performed comply with applicable agreement terms;
- Quantities, prices, and amounts are accurate;
- Offered discounts are cost effective and have been taken or, if not, the reason stated why the discount was not taken;
- Applicable deductions were made and credited to the proper accounts and in the correct amount;
- Appropriation of funds from which the payment will be made is available for that purpose and funds are available;
- Proper forms or proper electronic approval procedures were used;
- Required certificates were furnished; and
- Payments comply with the Prompt Payment Act requirements.

Partial exceptions to the prepayment audit requirement, known as Fast Pay, are allowed. Fast Pay defers specific examining steps, usually the verification of receipt and inspection, on the condition that they are performed after payment.

Certification of Vouchers: All basic vouchers, voucher-schedules, and invoices or bills used as vouchers must be certified as legal and proper for payment by an authorized certifying officer. A voucher-schedule, or an electronic voucher-schedule, covers all basic vouchers listed. Therefore, the certification of a voucher-schedule applies to all individual vouchers listed on the schedule.

Certified payment vouchers submitted to the disbursing official must include the TIN of every payment recipient listed on the voucher.

The certifying officer's responsibility extends to the:

- Information stated in the certificate, voucher, and supporting records;
- The computations of the voucher;
- The legality of the payment under the appropriation or fund involved; and

- Repayment for: illegal, improper, or incorrect payments because of inaccurate or misleading certification; a payment prohibited by law; or a payment that does not represent a legal obligation under the appropriation or fund involved.

The certifying officer is personally liable for the improper payment of funds for which they are accountable.

4.02.7 Invoices

Transportation Invoices: Where a transportation carrier has issued tickets, bills of lading, or equivalent documents, payment offices may, subject to limits in GSA Federal Procurement Regulations (41 C.F.R. pt. 101-41), make payment before confirming the satisfactory completion of such services. Refund claims must be filed with transportation carriers for unused ticket portions and transportation services.

Lost or Destroyed Original Invoices: If an original invoice has been lost or destroyed, a duplicate should be obtained from the claimant to support the voucher or voucher-schedule. The voucher, voucher-schedule, or electronic voucher-schedule may then be processed through regular disbursement channels if placed on, or attached to, the duplicate invoices is (1) a full explanation as to the circumstances of the loss or destruction of the original invoice; and, (2) a statement that steps have been taken to prevent a duplicate payment.

Invoices Covering Separate Line Items: Measurement of the number of units performed is needed when the contract calls for payment on a unit price basis. If a contract contains separate line items, setting different rates of payment for different categories of work, computation of the amount due for any work completed requires the contracting official's technical representative (COTR) to determine the proper amount of payment and allocate the payment to the appropriate line item. A contract may stipulate compensation of a fixed sum price for some categories of work and unit price payment for others.

Defective Invoices: When an OA determines that an invoice is not proper, it must be returned to the contractor within seven days specifying why the invoice is not a proper invoice. Failure to do so reduces the number of days available 30 days less the number of days past seven it took to return the defective invoice to the contractor to make the necessary payments without incurring an interest penalty payment. When an OA pays an interest penalty, information on the amount of the interest penalty, the current interest rate, and the number of days covered by the penalty payment must accompany the payment to the contractor.

4.02.8 Payments

Recurrent Payments – Fixed Amounts: Payments for recurring services, such as rents and janitorial services, which are performed under agency-vendor agreements for payments of definite amounts at fixed periodic intervals, may be made without submitting vendor invoices. The basic voucher prepared by the OA to support payments of this nature must show at a minimum the contract number, the period covered by the payment, and the appropriation account to be charged and will be certified for payment like all other vouchers.

OAs shall establish administrative controls to ensure that recurrent payments are made for unexpired contracts or agreements for correct amounts and for services actually performed. Administrative controls must also ensure that recurring payments comply with the Prompt Payment Act and are not duplicate payments.

Assignment of Claims: The Assignment of Claims Act of 1940, as amended, 31 U.S.C. 3727 and 41 U.S.C. 15, requires that an assignee send a written notice of the assignment with a true copy of the assignment to the contracting officer or the agency head, surety on any bond applicable to the contract, and disbursing officer designated in the contract to make payment. For details on assignment of claims, see 48 C.F.R. subpart 1-32.8.

Payment Practices: Except as specifically provided by contract, no payment will be made on an invoice before accepting the related goods or services. Invoices and other claims for payment will be processed to permit the issuance and mailing of checks on time. A payment must be considered made either on the date an EFT payment is specified for settlement at a Federal Reserve Bank or the date a check for payment is dated.

Each OA shall maintain an invoice tracking system to facilitate timely payment of invoices. The tracking system must include a provision that prior administrative approval, or electronic approval, of an invoice or claim by the appropriate approving official (supervisor, contracting officer, or program officer, as applicable) is required before an invoice or claim is paid.

4.02.9 Determining Due Dates

Standard Payments: Unless otherwise specified, the payment is due either:

- 30 days from the start of the payment period as stated below;
- On the date(s) specified in the contract;
- In accordance with discount terms when discounts are offered and taken; or
- In accordance with Fast Payment Methods.

Starting the payment period: The period available to an OA to pay an invoice timely without incurring an interest penalty must begin the later of (1) the seventh day after the date that goods are actually received or services are rendered; or (2) the date a proper invoice is received. (If vendor EFT banking information has not been received by the invoice receipt date, the prompt pay clock will not begin until the EFT information is received.)

Purchase Discounts: Discounts will be taken when economically justified, but only after accepting goods or services. When a purchase discount is taken, payment must be made as close as possible to, but not later then, the last day of the discount period.

Payment of Interest and Penalty Charges: When timely payments are not made as required, interest penalties will be paid without the need for requests from business firms. Interest is also required if a cash discount is taken after the discount period has expired.

Late Payments and Record Retention: Payments made after the due dates will be considered late except for those involving disputed invoices or nonreceipt of acceptable goods or services, or the receipt of an invoice without adequate EFT banking information. Each payment office will keep a record of late payments (or will determine the pattern of lateness by sampling). The records will be reviewed at least quarterly to decide if any operating problems exist, and will form the basis for reports to OFM on prompt payment performance. The review results will be kept for at least two years.

Penalty Charges: OAs will pay the appropriate interest penalty when contractor invoices, subject to the Prompt Payment Act, cannot be paid by the payment due date.

However, when payment cannot be made by EFT because the contractor has provided incorrect EFT information, no interest penalty is due after the uncompleted or erroneous payment transaction date, provided proper notice of the incorrect EFT information is issued to the contractor. Notice to contractor must occur within seven days after the OA is notified of the incorrect information.

Payments by Electronic Funds Transfer: The Debt Collection Improvement Act of 1996 mandates EFT for all Federal payments after January 1, 1999. EFT includes any method used to transfer funds electronically, including Fedwire, Automated Clearing House (ACH) transfers (e.g., Vendor Express and Direct Deposit), Point of Sale Terminals (POS), Intragovernmental Payment and Collection (IPAC) system, the Government's SmartPay purchase card, and other credit or debit cards. The Fedwire system is used for payments in excess of $10,000 when same day settlement is required.

4.02.10 Payment Types

OAs are to use EFT when disbursing the following payment types:

Payments to Employees: Payment including but not limited to performance awards, cash-in-a-flash awards, allotments from salary, garnishments, wage, and salary payments are to be paid by EFT. The EFT salary provision applies when the individual first enters into Federal service (on or after July 26, 1996), transfers from another agency, or resumes Federal service after a break in employment. All savings bonds issued will be individually enclosed in an envelope and mailed directly to the address specified by the bond owner.

Payments to Vendors: Payments made under all contracts, purchase orders, and under any other procurement arrangements are to be paid by EFT. Specifically, OAs shall use Automated Clearing House (ACH) when paying invoices from credit card companies such as Citibank.

Expense Reimbursement Payments: Payments including but not limited to, travel advances and cash advances are to be paid by EFT.

All Other Payments: Payments including but not limited to interagency payments, grants, loans, fees, and refunds are to be disbursed by EFT.

Exemptions: OAs may waive the EFT requirement if a recipient certifies in writing that he/she would suffer a hardship if required to receive funds by EFT transfer. Other exemptions include the following:

- Payments involving national security interests, wartime needs, national emergencies, or military operations;
- Payments made in furtherance of a law enforcement action;
- Payments by cash are required by statute;

- Payments valued at $25.00 or less; or

- A compelling urgency, where there is only one practical source for the goods/services, such that the Government or an individual would otherwise be seriously injured.

Withholding Payments: An OA may not withhold payment to an individual. An OA may use its discretion when deciding whether to withhold payments to commercial vendors who refuse to provide banking information. Withholding payments should only be done after sufficient advance notification has been given and after a reasonable effort to obtain this information has failed. If the payment is withheld, efforts to obtain information should be documented.

Unvouchered Payments: Certain laws authorize certificated or unvouchered payments that are specified amounts for specified purposes for a given fiscal year. They are accounted for solely on the certificate or approval of a designated Federal official.

OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, specifies an annual report be submitted by the Department. To ensure accurate information is reported to OMB and that proper financial controls are in place for unvouchered payments (especially those made from confidential payments), operating units' finance officers shall annually identify offices where such payments may be made and enter into a formal memorandum of agreement each year. This agreement must redelegate authority to make such payments and must describe the internal controls and reporting that are required for certificated payments. Payment to a confidential informant is an example of an unvouchered expenditure that may occur.

Certification Requirements: Unvouchered expenditures are accounted for on the certificate of a designated official. The certificates do not reveal all of the information normally contained on vouchers. Certain basic information must be included on the certificate so that any legal limitation on the amount that may be spent will not be exceeded. Therefore, the statement on the certificate must include:

- The appropriation to be charged;

- The amount of the expenditure;

- The legal authority for certification;

- A general statement that the types of expenditures covered by the certificate are proper under the legal authority cited; and

- The signature, or electronic signature, of the official having authority to certify the expenditure.

Documentation: Certificates supporting unvouchered expenditures may be filed by the finance office with the payment vouchers. The office that authorized the payment will generally retain supporting records, documents, and papers. A complete audit trail should be kept. An annual memorandum of understanding between the finance officer and the authorizing official should specify what documentation is required, how it is to be controlled, and how access can be obtained.

Prevention of Duplicate Payments: The heads of payment offices shall establish procedures to prevent duplicate payments. Vouchers, voucher-schedules, and supporting documents must be marked (e.g.

stamped paid or cancelled) and controlled to prevent presentation for payment a second time. If supporting documents are retained in remote field locations, the payment officer may use sampling procedures to assure that duplicate payments are not being made.

OAs should be alert to the possibility for duplicate payments when one or more of the following situations exist:

- Payments have been delayed for extended periods of time after the due date and duplicate copies of invoices are received from vendors as follow-up claims;
- Indications exist that invoices may have been sent by the vendors to more than one agency location for payment; and/or
- Invoices requesting adjustment are received after payments have been made.

4.03 CASH HELD OUTSIDE TREASURY (IMPREST FUNDS)

General: This chapter describes the regulations governing the administration of cash held outside the U.S. Treasury, i.e., cash under the direct control and custody of Department of Transportation employees.

The objectives are to provide for uniformity in the administration and accountability of funds; prescribe how and for what purpose imprest funds will be used; lessen the vulnerability of loss or misuse of cash funds; and promote good cash management practices.

Cash Held Outside Treasury includes cash maintained in imprest funds, government checks, nongovernment checks, or other negotiable instruments. This chapter will focus on cash maintained in imprest funds. When policy or procedures prescribed in this chapter conflict with more current Treasury regulations governing the operation of imprest funds, the Treasury regulations must be followed.

DOT does not generally maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the U.S. Treasury. DOT has substantially reduced the number of petty cash funds outside the U.S. Treasury to reduce the amount of cash paid outside of Treasury. This reduces the amount of interest that must be paid to borrow funds. Lockboxes have been established with financial institutions to collect payments, and these funds are transferred directly to Treasury on a daily (business day) basis.

Policy: 31 C.F.R. Part 208.3 requires that all Federal payments made by agencies must be made by Electronic Funds Transfer (EFT). However, exceptions can be waived for (a) hardship on the recipient, (b) impossibility, (c) costs-benefit, or (d) law enforcement and national security. 31 C.F.R. Part 208.4.

Federal agencies are required to eliminate imprest funds (See Treasury's Imprest Fund Policy Directive, November 9, 1999). Exceptions to the requirements of this policy should be addressed to the Director of Financial Management.

The Department's policy on imprest funds remains effective for all imprest funds that operate under a waiver from the requirements of the Policy Directive. Operating under such waiver, an imprest fund should satisfy a continuing need for making limited value cash or noncash disbursements in lieu of processing check disbursements.

4.03.1 Establishment of Imprest Fund

Designation: Approving officials can appoint a cashier by completing OF 211, *Request for Change or Establishment of Imprest Fund* (Request for Change form). Cashiers must be employed by the official's OA. OF 211 does not require the signature of the servicing FMS Regional Finance Center.

Determining Cash Requirements: Approving official should review cash requirement based on actual usage at least every 6 months. The review may consist of analysis of the types of payments the function is used for and the frequency of those payments to determine that:

- The imprest fund is needed and will be used for valid disbursements;
- The amount requested is in relation to the need and will be cost-effective;
- The safeguards proposed for the funds will be adequate;
- The duties of the proposed cashier(s) will be properly segregated to prevent the opportunity for fraud;
- Any requested exceptions to normal operating procedures are reasonable and can be considered within existing laws and regulations; and
- Any relevant information not furnished with the request is obtained before the establishment of the fund.

4.03.2 Payments from Imprest Funds

Payments can be made from an Imprest Fund for purchases or travels. These payments are subject to the requirements of the Policy Directive.

Documentation: Each disbursement should be supported by at least one of the following:

- SF 1164, Claim for Reimbursement for Expenditures on Official Business or comparable form;
- A paid receipt;
- An original bill;
- A sales slip; or
- A cash register ticket, invoice or SF-1165, Receipt for Cash-Subvoucher (Subvoucher).

Documents that support cash payments become subvouchers to the account. These subvouchers should be serially numbered and stamped "paid" immediately upon payment. The number of copies of subvouchers, invoices, and receipts should be kept to a minimum to avoid making duplicate payments.

Records retention should be made in accordance with the General Records Schedule 6, *Accountable Officers' Accounts Records*, available at the following website: http://ardor.nara.gov/ grs/grs06.html

4.03.3 Replenishing Imprest Funds

The advance held by a principal cashier is replenished by processing an OF 1129, Reimbursement Voucher, supported by the paid sub-vouchers held by the cashier. The cashier will submit replenishment vouchers to the servicing payment center for review and payment. Advances given on Form CD-369, Travel Advance, will be replenished separately.

Submission of Replenishment Vouchers: Submission of reimbursement vouchers should be based on the following:

- Funds greater than $5,000: Once a week at a minimum;
- Funds $1,000 - $5,000: Two times a month at a minimum; and
- Funds less than $1,000: Once a month or more often as needed to maintain the fund.

When requesting replenishment of the fund, the cashier should ask that the amount be issued in several checks (limited to two (2) denominations) that can be cashed as needed, rather than one or several large checks. Checks should not be requested in amounts less than twenty-five ($25) dollars. This limitation has been established by Treasury due to the costs involved in processing multiple small checks.

4.03.4 Responsibilities for Cashier Funds

General responsibilities of a cashier are to make disbursements for official purposes and to maintain all official funds, i.e., funds paid out, cash-on-hand, and funds advanced to alternate and sub-cashiers.

Conflict of Duties: It is the cashier's sole responsibility to disburse funds based on authorized and approved documentation. A cashier may perform other duties; however, unless justified by unusual circumstances and approved by the Director for Financial Management or the person having his/her delegation of authority, the cashier should be prohibited from performing the following activities:

- Collections – if justified by extenuating circumstances and approved, collections must be accounted for separately and never commingled with imprest funds;
- The pricing, billing, or maintaining of accounts receivable if the cashier is, in any way, involved in the collection of funds or in making adjustments in cash;
- The operation of more than one imprest fund at a time;
- The commitment of funds or the authority to approve purchases of goods and services;
- Other functions related to making cash disbursements;
- Determining, authorizing, or approving credits for return of or allowances for goods previously billed; and
- Maintaining or controlling inventories or inventory records, or authorizing, approving, or handling the receipt or shipment of goods and services.

Daily Cash Reconciliation: A daily reconciliation of cash and/or travelers checks is required by the cashier for those funds that have activity for the day. Any shortage or overage must be immediately investigated and reported through the cashier's supervisor to the bureau's finance office if the fund is not promptly reconciled. On those days that replenishment is requested, the reconciliation will be satisfied by the completion of the "Status of Fund" block on the OF 1129, Cashier Reimbursement Voucher. Documentation substantiating cash reconciliations should be retained until the next audit is performed.

4.03.5 Liability

A cashier is personally liable for the replacement of any shortages, losses, or misuses of funds entrusted to him/her through an imprest fund advance. A receipt log-book(s) by sub-voucher number should be maintained by the cashier. The cashier shall require each individual receiving a cash or travelers check to sign the log-book next to the appropriate number.

Proper Approvals: Cashiers should insist on proper authorization/approvals and accept original customer copy receipts that may be in the form of a cash register tape, carbon copy, computer generated copy, a slip marked "customer copy," or a photocopy. If a photocopy is used, the employee must indicate in writing that this is the original and sign the receipt. Any white-outs or other alterations on authorizing documents or receipts must be questioned.

Each cashier is personally liable for the funds that have been advanced to him/her until a proper and acceptable accounting has been made to the Department. Alternate cashiers and sub-cashiers are primarily responsible to the cashier who advanced funds to them.

Refusal of Disbursement: The cashier may refuse to make any disbursement that is not in strict accordance with Treasury or Department regulations. The cashier may not be coerced into making any disbursement where the propriety of the transaction is questionable. When the propriety of any disbursement is doubted, the cashier may require written acceptance of responsibility (a letter of recourse) from the official authorizing the disbursement.

The cashier should include the following statement with the approving official's signature when the disbursement is in doubt:

"In the event this payment is disallowed by the certifying officer, I accept full responsibility of the amount of the disbursement (signature of approving official)."

Requesting Advanced Written Permission: Such written acceptance of responsibility provides the cashier recourse to the official if the disbursement is later disallowed, but does not, in itself, relieve the cashier of responsibility for the disbursement. The cashier may also request an advance written opinion from the certifying officer as to the legality of a disbursement. If the certifying officer cannot decide the legality of the disbursement, the officer may submit the request through OFM or the Office of General Counsel for a decision.

4.03.6 Reporting Losses, Shortages, or Thefts

Whenever a loss or suspected impropriety is discovered, the cashier/verifier who becomes aware of the problem must immediately report what is known to the bureau finance officer/servicing payment center chief, through the cashier's supervisor. The bureau finance office should establish an account receivable, and bill the cashier for the amount of the shortage or loss. Collection action will not be pursued until an investigation has been completed and liability for the shortage or loss has been determined. Cash advanced by the cashier to other employees, i.e., interim receipts, (not including travel advances) and not cleared within five (5) working days, must be handled and reported in the same manner as a shortage of a cashier.

4.03.7 Accounting for Losses

Limited Relief: A cashier may be relieved of the liability for the loss of funds, upon formal application, in the event of burglary and/or theft where reasonable and proper safeguards were exercised, the loss was reported and investigated, and there was no negligence on the cashier's part. Requests/recommendations for relief must be forwarded from the bureau finance officer to the Director for Financial Management or the person having his/her delegation of authority. In general, relief may be granted by the OA for losses under $3,000. For individuals seeking relief from liability for losses over $3,000, those individuals should obtain the advice of their component General Counsel's Office or the Department of Justice (Justice Management Division) if the component does not have a General Counsel's Office.

SECTION 5: DOT CHART OF ACCOUNTS

5.01 DOT USE OF ACCOUNTS

5.01.1 Assets

This section sets forth overall standards to be followed in accounting for assets.[18] One of the objectives of Department of Transportation (DOT) accounting is establishing accounting control over all assets provided to, or acquired by, DOT. Assets must be under continuous accounting control of DOT from acquisition to disposition. Such control helps ensure proper and authorized use as well as adequate care and preservation, since no asset can be acquired, put into use, transferred, written down, written off, or disposed of, without the proper authorization necessary to document and record the transaction. All tangible assets provided to DOT must be accounted for, including assets in transit and assets in the hands of contractors, private parties, and other government agencies.

5.01.1.a Overview

A DOT asset is any item of economic value owned by a DOT OA or held in a fiduciary capacity under the control of an OA. An item may be physical in nature (tangible assets) or an OA may have a right to control the item (intangible assets). The value of an asset is expressed in terms of its acquisition cost and control of the asset by a particular OA must be the result of a past transaction or event.

5.01.1.b Basis for Recording

The OAs must recognize and record assets at full cost. The full cost of assets acquired must include the amounts paid to acquire them, including transportation, installation, and related costs of obtaining the assets in their current form and place. Full cost includes the following:

- Amounts paid to vendors;
- Transportation charges;
- Handling and storage costs;
- Labor and other direct or indirect production costs;
- Engineering, architectural, and other outside services for designs, plans, specifications, and surveys;
- Acquisition and preparation costs of land, buildings, and other facilities;
- Labor, materials, supplies, and other direct charges;

[18] See also FASAB SFFAS No. 1, *Accounting for Selected Assets and Liabilities*; SFFAS No. 3 *Accounting for Inventory and Related Property*; SFFAS No. 6, *Accounting for Property, Plant and Equipment*; and SFFAS No. 10, *Accounting for Internal Use Software*.

- An appropriate share of the cost of the equipment and facilities used in construction work;
- Fixed and movable equipment and related installation costs required for activities in a building or facility;
- Inspection, supervision, and administration of construction contracts and construction work;
- Legal and recording fees and damage claims;
- Fair market value of land, facilities, utilities, labor, materials, supplies, services, and equipment donated to the Government; and
- Material amounts of interest costs paid.

Full cost is to be recorded net of purchase discounts taken. Purchase discounts lost and late payments penalties should not be included as cost of assets, but should be recognized as operating expenses.

Seized property should be recorded at its fair market value or some other reasonable estimate, with an offsetting liability until a determination about its disposition has been made.

5.01.1.c Asset Definitions

Entity vs. Nonentity Assets: Entity assets are those assets that an OA has authority to use in its operations. The authority to use assets in its operations means that the OA has the authority to decide how the asset is used, or is legally obligated to use the asset to meet statutory obligations. Nonentity assets are those assets that are held by an OA but are not available for use in its operations.

Entity cash and assets should be reported separately from nonentity cash and assets.

Intragovernmental Assets: These assets arise from transactions among Federal entities.[19] These assets are claims of a Federal entity against other Federal entities. Report intragovernmental assets separately from transactions with non-Federal entities, the Federal Reserve, and government-sponsored enterprises. The term non-Federal agency encompasses domestic and foreign persons and organizations outside the U.S. government.

5.01.1.d Accounting Standards

The specific accounting standard for each category of asset is discussed in the section that concerns that particular asset. The following general standards apply to all assets.

An asset is an economic resource available to an OA and has three essential characteristics:

- It has a capacity to contribute to the accomplishment of the OA's mission.
- The OA can use the asset or control access of others to the asset.

[19] See Section 3 (Balance Sheet) of OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*.

- The transaction or event giving rise to an OA's right to, or financial control over, the asset has already occurred.

5.01.1.e Cash

Cash, including imprest funds, should be recognized as an asset. Cash consists of:

- coins, paper currency and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in transit for deposit;

- amounts on demand deposit with commercial banks or other financial institutions; and

- foreign currencies, which, for accounting purposes, should be translated into U.S. dollars at the exchange rate determined by Treasury and effective at the financial statement date.

Cash Definitions

Entity Cash: Entity cash is the amount of cash that an OA holds and is authorized by law to spend. It includes items in suspense that are associated with the OA's operations.

Nonentity Cash: Nonentity cash is cash that an OA collects and holds on behalf of the Federal Government or other entities. Nonentity cash should be reported separately from entity cash. It is not available for use for the operations of the agency.

Restricted Cash: Cash may be restricted. Restrictions are usually imposed on cash deposits by law, regulation, or agreement. Nonentity cash is always restricted cash. Entity cash may be restricted for specific purposes. Such cash may be in escrow or other special accounts.

5.01.1.f Fund Balance with Treasury (FBWT) (USSGL 1010)

Fund balance with Treasury is an intragovernmental item and is the aggregate amount of funds on account with Treasury, excluding seized cash deposited, for which an OA is authorized to make expenditures and pay liabilities. Fund balance with Treasury includes clearing account balances and the dollar equivalent of foreign currency account balances. It also includes balances for direct loan and loan guarantee activities held in the credit reform program, financing and liquidating accounts.

Fund balance with Treasury is increased by (1) receiving appropriations, reappropriations, appropriation restorations, and allocations; and (2) receiving transfers and reimbursements from other agencies. It is also increased by amounts borrowed from Treasury, Federal Financing Bank, or other entities, and amounts collected and credited to appropriation or fund accounts that an OA is authorized to spend or use to offset its expenditures.

FBWT is reduced by (1) disbursements made to pay liabilities or to purchase assets, goods, and services; (2) investments in U.S. securities (securities issued by Treasury or other Federal Government agencies); (3) cancellation of expired appropriations; (4) transfers and reimbursements to other entities or to the Treasury; and (5) sequestration or rescission of appropriations.

Contract Authority: Contract authority is a statutory authority under which contracts or other obligations may be entered into prior to receiving an appropriation for the payment of obligations. The later enacted appropriation provides cash to liquidate obligations. Thus, contract authority merely permits a Federal entity to incur certain obligations but does not, in itself, add funds to the OA's accounts with Treasury.

Authority to Borrow: Authority to borrow is a statutory authority that permits an OA to incur obligations and make payments for specific purposes out of borrowed funds. Authority to borrow adds funds to an OA's accounts with Treasury only after the OA actually uses the authority to borrow a specific amount of funds. Thus, authority to borrow is included in an entity's fund balance with Treasury only to the extent that funds are actually borrowed under the authority.

Distinguishing Obligated vs. Unobligated Balances

Disclosure should be made to distinguish two categories of funds within the entity's fund balance with Treasury: the obligated balance not yet disbursed and the unobligated balance. The obligated balance not yet disbursed is the amount of funds which budgetary obligations have been incurred, but disbursements have not been made.

The unobligated balance is the amount of funds available to an entity against which no claims have been recorded. Unobligated balances are generally available to a Federal entity for specific purposes stipulated by law. Unobligated balances may also include balances in expired or canceled accounts that are available only for approved adjustments to prior obligations. Certain unobligated balances may be restricted to future use and are not apportioned for current use. Disclosure should be provided on such restrictions.

For reimbursable agreements, Undelivered Orders – Unpaid do not affect FBWT. Also, Unfilled Customer Orders (the act of signing a reimbursable agreement) increases funds available for obligation but does not affect FBWT.

Discrepancies between FBWT and G/L Accounts

OAs should explain any discrepancies between fund balance with Treasury in their G/L accounts and the balance in the Treasury's accounts and explain the causes of the discrepancies in footnotes to financial statements. (Discrepancies due to time lag should be reconciled and discrepancies due to error should be corrected when financial reports are prepared.) OAs also should provide information on unused funds in expired appropriations that are returned to Treasury at the end of a fiscal year.

5.01.1.g Accounts Receivable (USSGL 1310)

Accounts receivable consist of amounts owed to the Department by other Federal agencies and the public. Federal accounts receivable are generally the result of the provision of goods and services to other Federal agencies and, with the exception of occasional billing disputes, are considered to be fully collectable. Public accounts receivable are generally the result of the provision of goods and services or the levy of fines and penalties from the Department's regulatory activities or court order assessments.

A receivable should be recognized when a Federal entity establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a payment due date, (e.g., taxes not received by the date they are due), or goods or services provided. If the exact amount is unknown, a reasonable estimate should be made.

Receivables from Federal entities are intragovernmental receivables, and should be reported separately from receivables from non-Federal entities. Receivables also should be distinguished between entity receivable and nonentity receivables.

Entity receivables are amounts that a Federal entity claims for payment from other Federal or non-Federal entities and that the Federal entity is authorized by law to include in its obligational authority or to offset its expenditures and liabilities upon collection.

Interest Receivable (USSGL 1340)

Interest receivable is the amount of accrued interest charges on accounts and loan receivable. This also includes interest accrued on investment securities. Interest receivable should be recognized for the amount of interest income earned but not received for an accounting period. Interest income should be recognized when earned on interest-bearing securities, outstanding accounts receivable, and other Federal Government claims against persons and entities in accordance with 31 U.S.C. 3717, Interest and Penalty Claims.

No interest should be recognized on accounts receivable or investments deemed uncollectible unless it is actually collected.

5.01.1.h Advances and Prepayments (USSGL 1410, 1450)

Advances and prepayments represent all payments made for future receipt of goods or services. Advances to others are recorded as asset accounts representing expenditures in contemplation of receipt of goods, services, or other assets. When goods or services have been received or contract terms met, the expense incurred or asset received is recognized and the advances or prepayments reduced. Advances and prepayments to others must be distinguished from advances and prepayments (deferred credits) from others that are liability accounts recorded in the G/L for moneys received but not yet earned.

5.01.1.i Property, Plant, and Equipment (PP&E)

For accounting purposes, PP&E includes all real and personal property that has been capitalized. Proper disclosure, such as the basis of property valuation, life of the asset, salvage value (if any), and the total amount of fully depreciated assets, is needed.

Capitalized threshold should consist of acquisition cost plus other direct costs to put the asset in service. All general PP&E with a useful life of at least two years and an original acquisition cost of $25,000 or $200,000 for structures and facilities and for internal use software must be capitalized and reported in the financial statements. If cost information is not available, the estimated fair market value at the time of acquisition must be recorded. Any exception to this policy on capitalization threshold should be supported by analysis and documentation, and submitted to the Deputy CFO for approval. Capitalization at lesser amounts is permitted.

Construction in progress is valued at actual (direct) costs plus applied overhead and other indirect costs. The straight-line method is used to depreciate capitalized assets.

If, in a given period, aggregated costs of bulk-purchased items individually costing less than $25,000 would be distorted when charged to expense; such items should be grouped by category, capitalized, and depreciated over the useful life of the items.

Land (USSGL 1711)

The identifiable cost of land and land rights of unlimited duration acquired for or in connection with general property, plant, and equipment used in general operations and permanent improvements. Stewardship land (National Park or Forest and land in public domain) and materials beneath or above the surface and Outer Continental Shelf resources are excluded.

Buildings and Structures (USSGL 1730)

The cost of Federal Government-owned buildings acquired for and used in providing general Federal Government services or goods. Includes the cost of renovation, improvement, restoration, or reconstruction of multi-use heritage assets when those costs are directly tied to the conduct of Federal Government operations.

Equipment (1750)

The capitalized cost of tangible equipment items of a durable nature used by the agency in providing goods and services. This excludes computer software.

Assets under Capital Lease (USSGL 1810)

Assets under Capital Lease must be recorded at fair market value and depreciated over a 40-year service life if (1) the lease transfers ownership from the lessor to an OA by the end of the lease term or the lease contains an option to purchase the lease property at a bargain price; (2) the lease term is greater or equal to 75 percent of the estimated useful life of the asset and the present value of the minimum lease payments is greater or equal to 90 percent of the fair market value of the property. Otherwise, Assets under Capital Lease, including Leasehold Improvements must be depreciated over the life of the lease term. Amounts due under the leases need to be reported in the liabilities section of the balance sheet. Footnote disclosure of details relating to capital and operating leases needs to be provided.

Leasehold Improvements (1820)

The cost of improvements to leased land, buildings, structures, and facilities occupied by the Federal Government as a lessee, as well as easements and right-of-way.

ADP Software (1830)

The capitalized cost of internal-use software including (1) purchased off-the-shelf software; (2) contractor-developed software subject to amortization; and (3) internally developed software subject to amortization.

5.01.1.j Inventory and Related Property

Inventory and related property consist of several types of tangible property, other than long term fixed assets, held by the Department. All Departmental inventories are in FAA and the OST Working Capital Fund. In normal practice, these assets are "inventoried" for use or sale in an accounting period other than the period in which they are purchased, or otherwise acquired. The six categories represent the different types of inventory and related property to be accounted for and reported on the financial statements. They consist of:

Inventory is tangible personal property that is (1) held for sale; (2) in the process of production for sale; or (3) to be consumed in the production of goods for sale or in the provision of services for a fee. The term "held for sale" must be interpreted to include items for sale or transfer to entities outside the Federal Government, or other Federal entities. The principal objective of the sale or transfer of inventory is to provide a product or service for a fee that generally recovers full cost or an identified portion of the cost. "Other Federal entities" may include entities within the same agency.

Inventory must be categorized as (1) inventory purchased for resale; (2) inventory held in reserve for future sale; (3) excess, obsolete, and unserviceable inventory; or (4) inventory held for repair.

Inventory Purchased for Resale (USSGL 1521)

Inventory purchased for resale must be valued at weighted moving average cost, and must be recognized when title passes to the purchasing entity or when the goods are delivered to the purchasing entity. Inventory cost includes material, labor, and applicable manufacturing overhead. Upon sale (when the title passes or the goods are delivered) or upon use in the provision of a service, the related expense must be recognized and the cost of those goods must be removed from inventory.

Delivery or constructive delivery must be based on the terms of the contract regarding shipping and/or delivery. Any abnormal costs, such as excessive handling or rework costs must be charged to operations of the period. Inventory acquired through exchange of nonmonetary assets must be valued at the fair value of the asset received at the time of receipt. Any differences between the recorded amount of the asset surrendered and the fair value of the asset received must be recognized as a gain or a loss.

Inventory Held in Reserve for Future Sale (USSGL 1522)

Inventory held in reserve for future sale consists of inventory stocks maintained because they are not readily available in the market or because there is more than a remote chance that they will eventually be needed. Inventory held in reserve for future sale must be valued using the weighted moving average cost method.

Inventory - Excess, Obsolete, and Unserviceable (USSGL 1524)

Excess inventory is inventory that exceeds expected demand in the normal course of operations, but which does not meet management's criteria to be held in reserve for future sales. "Obsolete inventory" is inventory that is no longer needed due to changes in business operations, technology, or other factors. Unserviceable inventory is damaged inventory that is more economical to dispose of than to repair.

Excess, obsolete, and unserviceable inventory must be valued at its expected net realizable value. The difference between the carrying amount of the inventory and its expected net realizable value must be recognized as a loss (or gain).

Inventory Held for Repair (USSGL 1523)

Inventory held for repair is the cost or value of damaged tangible personal property held as inventory that is more economical to repair than to dispose of. An allowance should be established for repairable inventory based on the average historical cost of such repairs. Once repaired, these items are reclassified as "Held for Resale."

5.01.1.k Operating Materials and Supplies

Operating materials and supplies consist of tangible personal property to be consumed in normal operations. The Department's operating materials and supplies are in FAA and MARAD. Operating materials and supplies must be categorized as (1) operating materials and supplies held for use; (2) operating materials and supplies held in reserve for future use; or (3) excess, obsolete, and unserviceable operating materials and supplies.

An allowance should be established for "held for use," and excess, obsolete, and unserviceable operating materials and supplies based on the condition of various asset categories as well as the OA's historical experience disposing such assets.

Operating Materials and Supplies Held for Use (USSGL 1511)

Operating materials and supplies "held for use" are those items that are consumed on a regular and ongoing basis. Operating materials and supplies held for use must be valued based on the weighted moving average method or on the basis of actual prices paid. Operating materials and supplies are expensed or reclassified as equipment or work in process when consumed or issued. Any abnormal costs, such as excessive handling or rework costs must be charged to operations of the period.

Operating materials and supplies acquired through exchange of nonmonetary assets must be valued at the fair value of the asset received at the time of receipt. Any difference between an asset surrendered and the fair value of the asset received must be recognized as a gain or a loss.

Operating Materials and Supplies Held in Reserve for Future Use (USSGL 1512)

Operating materials and supplies held in reserve for future use consists of operating materials and supplies maintained because they are not readily available in the market or because there is more than a remote chance that they will eventually be needed. Operating materials and supplies held in reserve for future use must be valued at historical cost.

Operating Materials and Supplies - Excess, Obsolete, and Unserviceable (USSGL 1513)

Excess operating materials and supplies are operating materials and supplies that exceed expected demand in the normal course of operations, but which do not meet the criteria to be held in reserve for future use. Obsolete operating materials and supplies are operating materials and supplies that are no longer needed due to changes in business operations, technology, or other factors. Unserviceable operating materials and supplies are operating materials and supplies that are physically damaged and cannot be consumed in operations.

Such operating materials and supplies must be valued at their estimated net realizable value. The difference between the carrying amount of the operating materials and supplies and their estimated net realizable value must be recognized as a loss (or gain).

5.01.1.1 Foreclosed Property (USSGL 1551)

The term “foreclosed property” means any asset received in satisfaction of a loan receivable or as a result of payment of a claim under a guaranteed or insured loan. All properties included in foreclosed property are assumed to be held for sale. Separate provisions will be maintained for pre-1992 foreclosed property and post-1991 foreclosed property. “Pre-1992 foreclosed property” refers to property associated with direct loans obligated or loan guarantees committed before October 1, 1991. “Post-1991 foreclosed property” refers to property associated with direct loans obligated and loan guarantees committed after September 30, 1991. This distinction is necessary because for budget purposes, the cash flows associated with post-1991 direct loans and loan guarantees, including the cash flows associated with post-1991 foreclosed property, must be measured on a present value basis.

Post-1991 foreclosed property is valued at the net present value of the projected future cash flows associated with the property. Pre-1992 foreclosed property is recorded at cost and adjusted to the lower of cost or its net realizable value; any difference is carried in an allowance account.

Net Present Value: The first step in determining net present value is projecting the future cash flows associated with the property. This projection must include estimates of (1) sales proceeds; (2) rent, management expense, and repair costs during the holding period; and (3) selling expenses. In estimating the sales proceeds, the entity's historical experience in selling property and the nature of the sale must be considered. For instance, market value based on sales between willing buyers and sellers may not be appropriate for properties to be disposed of in a forced or liquidation sale. If the entity has historically been unable to realize the fair value of property, this must be considered in estimating sales proceeds.

The second step is to discount these cash flows to their present value. The discount rates used must be the same rates that were used to discount the cash flows of the related loans or guarantees. Following foreclosure, the net present value must be adjusted periodically to recognize both changes in the expected future cash flows and for accrual of interest due to the passage of time. Any adjustments to the carrying amounts must be included in the presentation of “interest income” and the re-estimate of “subsidy expense.”

Net Realizable Value: The expected net realizable value must be based on an estimate of the market value of the property adjusted for any expected losses and any other costs of the sale. If the expected net realizable value is less than the cost,[20] a loss has occurred. This loss must be charged to operations, and a valuation allowance must be established. If the asset's net realizable value subsequently increases or decreases, this amount must be credited or charged to results of operations and the valuation allowance adjusted. However, the asset value must not be adjusted above cost.

If foreclosed property is taken subject to claims, these claims must be accounted for in an allowance account. For post-1991 foreclosed property, these claims must be recorded at their net present value at the time of foreclosure. Any periodic changes in the net present value must be offset by a charge to “interest income” and the reestimate of “subsidy expense,” as appropriate under the standards for direct loans and loan guarantees. For pre-1992 foreclosed property, these claims must be recorded at the expected amount of the cash required to settle the claims.

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[20] Cost is the carrying amount of the loan at the time of foreclosure or, for a loan guarantee, the amount of the claim paid. Note that the relevant "carrying amount" is the portion of the loan or loan guarantee being written-off as a result of foreclosure. In some instances (e.g., loans with recourse), the entity may seek to recover losses from other sources following foreclosure. Any portion of the loan or loan guarantee expected to be recovered in the future would not be included in the carrying amount for determining losses at the time of foreclosure.

Any receipts or disbursements associated with acquiring and holding post-1991 foreclosed property must be charged or credited to foreclosed property. This must include rental receipts, maintenance and repair expense, advertising costs, and any other elements of the projected cash flows considered in arriving at the net present value.

Upon sale, any difference between the net carrying amount of foreclosed property and the net proceeds of the sale must be recognized as a component of operating results. For post-1991 foreclosed property, interest income must be accrued from the previous periodic adjustment in the carrying amount up to the sale date. The difference between the adjusted carrying amount and the net sales proceeds must be recognized as a reestimate of "subsidy expense." For pre-1992 foreclosed property, this difference must be recognized as a gain or a loss on the sale of foreclosed property.

5.01.1.m Investments in Treasury Securities

This standard applies to investments by Federal entities in Treasury securities, including (a) nonmarketable par value Treasury securities, (b) market-based Treasury securities expected to be held to maturity, and (c) marketable Treasury securities expected to be held to maturity. This standard does not apply to investments by Federal entities in securities (debt and equity) and other financial instruments issued by other than the U.S. Treasury.

Nonmarketable Par Value Treasury Securities

Nonmarketable par value Treasury securities are special series debt securities that the U.S. Treasury issues to Federal entities at face value (par value). The securities are redeemed at face value on demand, thus investing entities recover the full amounts invested.

Market-Based Treasury Securities

Market-based Treasury securities are debt securities that the U.S. Treasury issues to Federal entities without statutorily determined interest rates. Although the securities are not marketable, their terms (prices and interest rates) mirror the terms of marketable Treasury securities.

Marketable Treasury Securities

Marketable Treasury securities, including Treasury bills, notes, and bonds, are initially offered by Treasury to the marketplace and can then be bought and sold on securities exchange markets. Their bid and ask prices are publicly quoted by the marketplace.

Treasury Securities Expected to be Held to Maturity

Aside from nonmarketable par value Treasury securities, this standard applies to market-based and marketable Treasury securities that are expected to be held to maturity. An investment in securities is "expected to be held to maturity" only if the investing entity has the intent and ability to hold those securities to maturity. An investment in Treasury securities should not be considered as "expected to be held to maturity" if the investing entity is likely to sell the securities in response to short-term cash needs, changes in market interest rates, or for other reasons.

Accounting and Reporting for Federal and non-Federal Securities

Investments of a Federal entity in U.S. securities (securities issued by Treasury and Federal agencies) are intragovernmental investments. These U.S. securities also represent intra- governmental liabilities of the Treasury Department of other Federal entities that issue the securities. Investments in securities issued by the U.S. Treasury or other Federal entities should be accounted for and reported separately from investments in securities issued by non-Federal entities.

Initial recording: Nonmarketable par value Treasury securities, market-based Treasury securities expected to be held to maturity, and marketable Treasury securities expected to be held to maturity should be recognized at their acquisition cost. If the acquisition is made in exchange for nonmonetary assets, the acquired securities should be recognized at the fair market value of either the securities acquired or the assets given up, whichever is more definitively determinable.

If the acquisition cost differs from the face (par) value, the security should be recorded at the acquisition cost, which equals the security's face value plus or minus the premium or discount on the investment. A discount is the excess of the security's face amount over its purchase price. A premium is the excess of the purchase price over the security's face value. The balance in the valuation account is treated as a contra account to the debt security.

Valuation subsequent to acquisition: Subsequent to their acquisition, investments in Treasury securities should be carried at their acquisition cost, adjusted for amortization, if appropriate, as explained below.

If an amount of premium or discount exists, the carrying amount of the investments should be adjusted in each reporting period to reflect the amortization of the premium or the discount. Premiums and discounts should be amortized over the life of the Treasury security using the interest method. Under the interest method, the effective interest rate (the actual interest yield on amounts invested) multiplied by the carrying amount of the Treasury security at the start of the accounting period equals the interest income recognized during the period (the carrying amount changes each period by the amount of the amortized discount or premium). The amount of amortization of discount or premium is the difference between the effective interest recognized for the period and the nominal interest for the period as stipulated on the Treasury security.

Disclosure of market value: For investments in market-based and marketable Treasury securities, the market value of the investments should be disclosed. For purposes of determining a market value, investments should be grouped by type of security, such as marketable or market-based Treasury securities. The market value of investments in a group is calculated by the market price of securities of that group at the financial reporting date multiplied by the number of notes or bonds held at the financial reporting date.

Investment Reclassification: In rare instances, significant unforeseeable circumstances may cause a change in an entity's intent or ability to hold to maturity certain securities that are initially classified as expected to be held to maturity. In these circumstances, the affected securities should be reclassified as securities available for sale or early redemption. Once a security is reclassified, it is no longer subject to this standard.

5.01.1.n Loans Receivable (USSGL 1350)

Loans are accounted for as receivables after funds have been disbursed. Loans receivable include the total of direct loans and acquired defaulted guaranteed loans due from the public for a pre-FY 1992 direct loan, and acquired defaulted guaranteed loans, as evidenced by loan or note agreements, net of allowances for uncollectible loans.

For direct loans and acquired defaulted guaranteed loans made in FY 1992, and subsequent years, the total amounts due are offset by the net cost of the present value of the interest rate differential, expected delinquencies and defaults, and fees associated with these loans. The amount recorded includes interest accrued, even if loan payments are not received until the related debt is officially declared to be in default. Loans receivable also may arise from other Federal agencies and are treated as intragovernmental items.

The amounts reported as non-Federal loans receivable, net, must agree and be supplemented with information required on the SF 220-8, *Direct and Guaranteed Loans Reported by Agency and Program Due from the Public*, and the SF 220-9.

5.01.1.o Other Assets (USSGL 1990)

The *Other Assets* class is the group of assets not subject to any of the previous classifications. The nature of any types of assets that comprise more than 25 percent of the total amount reported for this category, and in excess of $100,000, needs to be identified and properly disclosed.

5.01.2 Liabilities

5.01.2.a Overview

A liability is an amount owed to a Federal or non-Federal entity for items or services received and expenses incurred (including personnel related costs). Liabilities also result from assets to which title has been acquired (whether delivered or in-transit), ongoing shipbuilding or percentage-of-completion based construction (based on the entity's engineering and management evaluation of actual performance progress and incurred costs), and cash received but as yet unearned.

Liabilities covered by budgetary resources are liabilities incurred that are covered by realized budgetary resources as of the balance sheet date. Available budgetary resources include new budget authority, spending authority from offsetting collections, recoveries of unexpired budget authority through downward adjustments of prior year obligations, unobligated balances of budgetary resources at the beginning of the fiscal year or net transfers of prior year balances during the year, and permanent indefinite appropriations or borrowing authority. Unfunded liabilities are not considered to be covered by such budgetary resources. An example of an unfunded liability is actuarial liabilities for future Federal Employees' Compensation Act payments. The Government, acting in its sovereign capacity, can abrogate liabilities arising from other than contracts.

Included are amounts owed under grants, pensions and certain post-retirement benefits, awards, and other indebtedness. In addition to liabilities arising from exchange (reciprocal) transactions, there are liability recognition points for nonexchange transactions, and government-related and government-acknowledged events. Liability recognition must not be based on the availability of funds.

A current liability is one that will be paid within the next fiscal year and should be classified as a current liability on the balance sheet.

A noncurrent liability is one that will not be paid within the next fiscal year.

A contingency is a condition, situation, or set of circumstances involving uncertainty as to possible gain or loss. The uncertainty will be resolved in the future when one or more events occur or fail to occur. Whether a contingency should be recorded and reported as a liability or disclosed as a contingency in a footnote to the financial statements depends on the probability of occurrence and the ability to estimate the expected outflow of resources.

When recognizing a contingent liability for losses on matters of pending litigation and unasserted claims, a liability should be recognized only when a future outflow of resources is “likely” to occur (>50% chance of occurrence), a past event or exchange transaction has occurred, and the future outflow of resources is measurable. Financial statement footnote disclosure is required when it is at least reasonably possible that a loss or additional loss may have been incurred.[21]

5.01.2.b Basis for Recording

Exchange (Reciprocal) Transactions: An exchange transaction is one in which each party sacrifices value and receives value in return. A liability is recognized (recorded and reported) when the Department receives goods and services in exchange for a promise to pay in the future, normally within the fiscal year. Probable (i.e., “more likely than not”) and measurable amounts that remain unpaid as of the financial statement report date should be recognized as liabilities.

Nonexchange Transactions: A nonexchange transaction is one in which the Department promises to pay in the future without a promise of receiving direct value in return. An example would be grant payments to state and local governments to carry out a public purpose, when authorized by a law of the United States. Unpaid amounts due as of the financial statement report date, whether or not reported to the Department, should be recognized as liabilities. Unreported amounts should be estimated.

5.01.2.c Accounts Payable (USSGL 2110)

Accounts payable are amounts owed to Federal and non-Federal entities for goods and services received, progress in contract performance made, and rents due. When an OA accepts title to goods, whether the goods are delivered or in transit, the OA should recognize a liability for the unpaid amount of the goods.

For facilities or equipment constructed or manufactured by contractors or grantees according to agreements or contract specifications, amounts recorded as payable should be based on an estimate of work completed under the contract or the agreement. The estimate of such amounts should be based primarily on the bureau's engineering and management evaluation of actual performance progress and incurred costs.

5.01.2.d Accrued Interest Payable (USSGL 2140)

Interest payable represents liabilities for interest expense incurred but not yet paid. This includes interest expenses incurred under capital lease obligations and the Prompt Payment Act.

[21] See FASAB Standard Number 5, *Accounting For Liabilities of the Federal Government*, and FASAB Standard Number 12, *Recognition of Contingent Liabilities Arising from Litigation*.

Interest payable to Federal entities is an intragovernmental liability and should be accounted for separately from interest payable to the public.

5.01.2.e Unearned Revenue (Advances)

Unearned revenue consists of advances received from other Federal agencies or the public prior to the requirement to provide goods or services.

Advances from Others (USSGL 2310)

The balance of amounts advanced by other Federal and non-Federal entities for goods and services to be furnished.

Deferred Credits (USSGL 2320)

Revenue or income received but not yet earned.

Liability for Deposit Funds, Clearing Accounts, and Undeposited Collections (2400)

Amounts offsetting undeposited collections and collections deposited in deposit funds and clearing accounts, including suspense accounts, awaiting disposition or reclassification.

5.01.2.f Contingent Liabilities (USSGL 2920)

A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. Resolution of the uncertainty may confirm a gain or a loss. Contingencies that might result in gains should not be recorded until the gains are actually realized. The following are some examples of loss contingencies:

- Collectability of receivables;
- Pending or threatened litigation; and
- Possible claims and assessments.

Likelihood of Occurrence: When a loss contingency exists, the likelihood that future events will confirm the loss or impairment of an asset, or the occurrence of a liability, can range from probable to remote. This section uses the terms probable, reasonably possible, and remote to identify three areas within that range:

- Probable – The future confirming event or events are more likely than not to occur, with the exception of pending or threatened litigation and unasserted claims; For pending or threatened litigation and unasserted claims, the future confirming event or events are likely to occur;
- Reasonably possible – The chance of the future event or events occurring is more than remote but less than probable; and

- Remote – The chance of the future event or events occurring is slight.

Accrual of Contingent Liabilities

The criteria for recognizing contingencies for claims are (1) a past event or exchange transaction has occurred; (2) a future outflow or other sacrifice of resources is probable; and (3) the future outflow or sacrifice of resources is measurable (reasonably estimated). DOT recognizes material contingent liabilities in the form of claims, legal action, administrative proceedings, and environmental suits that have been brought to the attention of legal counsel, some of which will be paid by the Treasury Judgment Fund.

The estimated liability may be a specific amount or a range of amounts. If some amount within the range is a better estimate than any other amount within the range, that amount is recognized. If no amount within the range is a better estimate than any other amount, the minimum amount in the range is recognized and the range and a description of the nature of the contingency should be disclosed.

Payroll and Accrued Unfunded Annual Leave Accruals: The Departmental personnel and payroll system will be migrating to the Department of Interior's Federal Personnel Payroll System (FPPS) in fiscal year 2005. Until then, the Department shall continue to accrue for payroll and annual leave.

To accrue for payroll at the month end, Delphi performs the accrual programmatically. The Consolidated Uniform Payroll System (CUPS) calculates the number of days worked but not paid at the end of the month. These 'unpaid days' are used for the accrual. The total amount of the previous payroll divided by the number of possible workdays in the pay-period becomes the 'average daily pay.' This 'average daily pay' is also used for the accrual.

These 'unpaid days' times the 'average daily pay' will become the payroll accrual. Since this is a temporary accrual, Delphi programmatically will reverse this entry when the next reporting period is opened.

Unfunded annual leave accrued to employees is the amount of annual leave earned but not used at the end of the fiscal year. It is expected to be paid from future years' appropriations. Annual leave (including home leave) is an expense that accrues as it is earned by employees and the accrual is reduced as leave is taken. Except for work under a revolving fund, no obligation is incurred for annual leave until it is used. The expense for unfunded annual leave must be recorded as an unfunded liability, and serves to bridge obligations to the total cost of personnel compensation.

Accruals for other leave (e.g., credit hours and compensatory leave) are also recorded. Under the OST Working Capital Fund, the liability for accrued annual leave is a funded item. To the extent current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of nonvested leave are expended as taken.

Initially, a liability accruing annual leave will be recorded at the wage rate at which it is earned. A revised balance reflecting the annual leave liability should be computed at least annually to reflect current pay rates and leave balances. Any resulting increase should be charged to current year expenses. Unused sick leave, compensatory, or credit time may be tracked for budget or management purposes, but will not be recorded as a liability.

Grant Accruals: Grants are agreements between the Federal Government and other entities whereby the Federal Government provides funding on a specific project. The funding is released based on certain criteria. When a grant is due for payment at month end, but has not been disbursed due to either the grantee failing to draw down the funds or the program office was delayed in disbursing the funds, a temporary accrual should be made. There are two methods to estimate this monthly accrual:

1. Estimated using historical disbursement data and known seasonal trends from the corresponding month of the prior year; or

2. Estimated by reviewing the actual grant documents and obligations to determine what should have been disbursed but wasn't in the current period. This is the most accurate but time consuming method.

Note: *Any usual or significant changes that occur from the prior period must be factored into the accrual.*

Pension Accruals: Pension benefits include all retirement, disability, and survivor benefits financed through a pension plan, including unfunded pension plans. Federal civilian employees are covered primarily under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS).

To the extent that Federal employees are covered by social insurance programs, such as Social Security, the taxes they pay to the program are to be accounted for on the same basis used to account for other program participants. However, the payments to social insurance plans that agencies must make are operating costs.

Recognition in Financial Statements: OAs should recognize a pension expense in their financial statement that equals the service cost for its employees for the accounting period, less the amount contributed by the employees, if any. Service cost is defined as the actuarial present value of benefits attributed by the pension plan's benefit formula to services rendered by employees during an accounting period. The term is synonymous with "normal cost." The measurement of the service cost will require the use of the plan's actuarial cost method and assumptions, and therefore the factor to be applied by OAs must be provided by the plan and/or the administrative entity.

Pension expense should be balanced by: (a) a decrease to its "Fund Balance With Treasury" for the amount of its contribution to the pension plan, if any; and if this does not equal the full expense, by (b) an increase to an account representing an intragovernmental imputed financing source entitled, for example, "imputed financing expenses paid by other agencies." The latter represents the amount being financed directly through the pension plan's administrative entity.

Accounting for Excess Payments: When total payment for FERS and CSRS exceeds the related total pension expense as defined in SFFAS No. 5, the OAs should account for the excess payment as a transfer-out. They should include the transfer-out when determining results of operations on their Statement of Changes in Net Position.

Any FERS-related payment that exceeds the FERS-related pension expense should be offset against any imputed financing resulting from a CSRS-related payment being less than CSRS-related pension expense in calculating the amount of the transfer out. Only when the total pension payment exceeds total pension expense would a transfer-out be recognized.

Financial Statement Measurement: Pension and retirement health care liabilities in general purpose Federal financial reports prepared pursuant to SFFAS 5 must be measured as of the end of the fiscal year (or other reporting period if applicable). This measurement must be performed following the end of the period reported, but does not have to be based on a full actuarial valuation as of the end of the reporting period. The measurement must, however, reflect the best available estimates of the major factors that would be reflected in a full actuarial valuation, such as the actual pay raise, the actual cost of living adjustment, and material known changes in the number of employees covered (enrollment) that cause a change in the liability.

See the accounting illustrations in SFFAS No. 5, *Accounting for Liabilities of the Federal Government,* and FASAB's Interpretation of Federal Financial Accounting Standards Interpretation No. 4 *Accounting for Pension Payments in Excess of Pension Expense* for examples of accounting for Pensions.

5.01.2.g Other Liabilities (USSGL 2990)

The nature of any liability that comprises more than 25 percent of the total amount reported for this category, needs to be identified and properly disclosed. Liabilities related to accruals for loss contingencies should be reported in this category, as well as long-term agreements and contracts not reported elsewhere.

- Property borrowed from sources outside the OA should be recorded and offset with a matching liability.
- A liability must be recorded for amounts withheld from grantees or contractors pending completion of contracts, audits, or other assurances of proper performance.
- The value of acquired collateral must be offset by a liability for any prior liens or other just claims against the collateral.

5.01.3 Net Position

Net position accounts represent the net investment of the U.S. Government in the Department of Transportation. As such, it includes all operations of DOT activities, including appropriated activities, working capital funds, and trust funds. The balances in the net position accounts represent the difference between assets and liabilities.

Policy: Activities financed by appropriations must show the results of their operations as reductions to the Unexpended Appropriations account on a transaction basis and as changes in the Cumulative Results of Operations account with respect to the net position effect of transactions. The Unexpended Appropriations account is increased for the receipt of appropriations or other appropriation like resources and reduced for amounts expended for assets or operating expenses, and any appropriation withdrawals. The Cumulative Results of Operations account is increased by revenues and the value of assets transferred in and reduced by expenses requiring current resources, expenses not requiring current resources, and expenses recorded that are not currently funded.

Activities whose operations are financed by revenue sources, generally defined as exchange revenue, must have their results of operations reflected as increases or decreases to the Cumulative Results of

Operations account that will include transfers in of assets that are recognized as financing sources. Appropriations received for a specific funding purpose will be accounted for in the Unexpended Appropriations accounts until used as a financing source.

5.01.3.a Recognition in Financial Statements

The components of net position include Unexpended Appropriations (unobligated balances and undelivered orders) and Cumulative Results of Operations and must be shown in the consolidated balance sheet. The amounts of unobligated balances available and unavailable must be disclosed in the footnotes to the financial statements.

Unexpended Appropriations - Cumulative (USSGL 3100): The amount of Unexpended Appropriations includes the portion of the entity's appropriations represented by undelivered orders and unobligated balances after year-end closing. Decreases in Unexpended Appropriations occur as expenditure accruals using appropriated funds are recognized and recorded, and when unobligated amounts are withdrawn, rescinded, or canceled. Increases occur when appropriations are received or Unexpended Appropriation amounts are transferred in.

Cumulative Results of Operations (USSGL 3310): This amount represents the net results of operations since inception. There no longer will be direct postings to net position for transactions such as donations and transfers in and out of assets without reimbursement. Such transactions are recorded in the revenue accounts and closed to this account at year end. In addition, there no longer will be a segregation of cumulative amounts for future funding requirements (such transactions now are recorded as an expense and closed to this account at year end).

5.01.4 Revenue

DOT receives the majority of the funding needed to support all of its programs through appropriations. The Highway Trust Fund, Airport and Airway Trust Fund, and the Treasury General Fund provide the funding for some of these appropriations. DOT receives annual, multi-year, and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures. Additional amounts are obtained from offsetting collections and user fees (e.g., landing and registry fees) and through reimbursable agreements for services performed for domestic and foreign governmental entities. Additional revenue is earned from gifts from donors, sales of goods and services to other agencies and the public, the collection of fees and fines, interest/dividends on invested funds, loans, and cash disbursements to commercial banks. Interest income received is recognized as revenue on the accrual basis. Appropriations are recognized as revenues as the related program or administrative expenses are incurred.

5.01.4.a Exchange Revenue

Exchange revenue and gains are inflows of resources to a Federal entity that the entity has earned. They arise from exchange transactions, which occur when each party to the transaction sacrifices value and receives value in return. That is, exchange revenue arises when a Federal entity provides something of value to the public or another Federal entity at a price.

Revenue from exchange transactions should be recognized when goods or services are provided to the public or another Federal entity at a price. When a transaction with the public or another Federal entity at a price is unusual or nonrecurring, a gain or loss should be recognized rather than revenue or expense to differentiate such transactions. Revenue from specific types of exchange transactions should be recognized as follows:

- When services are provided to the public or another government entity (except for specific services produced to order under a contract), revenue should be recognized when the services are performed;

- When specific goods are made to order under a contract (either short- or long-term), or specific services are produced to order under a contract (either short- or long-term), revenue should be recognized in proportion to estimated total cost when goods and services are acquired to fulfill the contract. If a loss is probable (more likely than not), revenue should continue to be recognized in proportion to the estimated total cost and costs should continue to be recognized when goods and services are acquired to fulfill the contract. Thus, the loss should be recognized in proportion to total cost over the life of the contract;

- When goods are kept in inventory so that they are available to customers when ordered, revenue should be recognized when the goods are delivered to the customer;

- When services are rendered continuously over time or the right to use an asset extends continuously over time, such as the use of borrowed money or the rental of space in a building, the revenue should be recognized in proportion to the passage of time or the use of the asset;

- When an asset other than inventory is sold, any gain (or loss) should be recognized when the asset is delivered to the purchaser; and

- When advance fees or payments are received, revenue should not be recognized until costs are incurred from providing the goods and services (regardless of whether the fee or payment is refundable). An increase in cash and an increase in liabilities, such as "unearned revenue," should be recorded when the cash is received. Unearned revenue should also be recorded if an agency requests advances or progress payments prior to the receipt of cash and records the amount.

Measurement Basis

The measurement basis for revenue from exchange transactions should be the actual price that is received or receivable under the established pricing arrangements. When cash has not yet been received at the time revenue is recognized, a receivable should be recorded. An appropriate allowance for estimated bad debts should be established.

To the extent that realization of the full amount of revenue is not probable due to credit losses (caused by the failure of the debtor to pay the established or negotiated price), an expense should be recognized and the allowance for bad debts increased if the bad debts can be reasonably estimated. The amount of the bad debt expense should be separately shown.

To the extent that realization of the full amount of revenue is not probable due to returns, allowances, price re-determinations, or other reasons apart from credit losses, the revenue that is recognized should be reduced by separate provisions if the amounts can be reasonably estimated. The amounts of such provisions should be reflected as revenue adjustments, rather than costs of operations, and should be separately shown.

Under exceptional circumstances an entity recognizes virtually no costs (either during the current period or during past periods) in connection with earning revenue that it collects. If this situation applies, bureaus should refer to SFFAS No.7 for specific guidance.

5.01.4.b Nonexchange Revenue

Nonexchange revenues are inflows of resources that the Government demands or receives by donation. Such revenue should be recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that collection is probable (more likely than not) and the amount is reasonably estimable. Nonexchange revenue should be measured by the collecting entities, but should be recognized by the entities legally entitled to the revenue (the recipient entities).

Taxes and Duties

Taxes and duties should be measured on the cash basis, and the cash basis amount(s) should be shown in conjunction with the accrual amounts recognized. The source and disposition of revenue from taxes, duties, and related fines, penalties and interest should be measured by the collecting entities in a manner that enables reporting of (1) cash collections, refunds, and the accrual adjustment necessary to determine the total revenue; and (2) cash or cash equivalents transferred to each of the recipient entities and the revenue amounts to be recognized by each of them. If any bureaus collect material amounts of taxes or duties, they should refer to SFFAS No.7 for specific guidance.

Fines and Penalties (USSGL 5320)

Fines and penalties are monetary requirements imposed on those who violate laws or administrative rules. They may be imposed by the entities collecting taxes and duties, or by other government entities. The time when a claim to resources arises will depend on the nature of the fine and the associated legal and administrative processes. Some examples of conditions that, depending on the circumstances, could establish a legally enforceable and measurable claim include (1) the date by which an individual may contest a court summons expires; (2) the offender pays the fine before a court date; or (3) the court imposes the fine. An allowance for uncollectible accounts should be recognized as a revenue adjustment.

The allowance should reduce the gross amount of the receivable and revenue to its net realizable value, based on the criterion that losses should be recognized to the extent it is probable (more likely than not) that some or all of the receivables will not be totally collected.

Civil monetary penalties (CMPs) include noncriminal monetary penalties, fines, or other sanctions assessed by a Federal agency pursuant to Federal law, as a result of an administrative action or proceeding or a civil action in the Federal courts, and for which law establishes a specific dollar value or maximum value. Civil penalties that are strictly variable or percentage based – without a specific maximum value –

are not CMPs. Civil monetary penalties will be separately recorded and identifiable in the bureau's chart of accounts.

Donations (USSGL 5600, 5610)

Donations are contributions to the government, such as voluntary gifts of resources to a government entity by a non-Federal entity. Donations may be financial resources, such as cash or securities, or nonfinancial resources such as land or buildings. Revenue arising from donations should be recognized for those inflows of resources that meet recognition criteria for assets, and should be measured at the estimated fair value of the contribution.

5.01.4.c Other Financing Sources (USSGL 5790)

Financing sources, other than exchange and nonexchange revenues that provide inflows of resources that increase results of operations during the reporting period include appropriations used, transfers of assets from other government entities, financing imputed with respect to any cost subsidies, and user fees. This standard provides guidance for accounting for the corresponding financing source that is reported in such cases. Financing outflows may result from transfers of the reporting entity's assets to other government entities or from exchange revenues earned by the entity but required to be transferred to the general fund or another government entity. Unexpended appropriations are recognized separately in determining net position but are not financing sources until used.

Appropriations

Appropriations, until used, are not a financing source. They should be recognized in capital as Unexpended Appropriations (and among assets as Funds with Treasury) when made available for apportionment, even if a Treasury Warrant has not yet been received, or the amount has not been fully apportioned. Unexpended appropriations should be reduced for appropriations used and adjusted for other changes in budgetary resources, such as rescissions and transfers. The net increase or decrease in unexpended appropriations for the period should be recognized as a change in net position of the entity.

When used, appropriations should be recognized as a financing source in determining net results of operations. Appropriations are used in operations when goods and services are received or benefits and grants are provided. Goods and services (including amounts capitalized) are considered received when a liability is established. Benefits are considered to be provided when the related liability is established. Grants are considered to be provided when grantees meet the requirements that allow them to use the grants.

Financing Imputed for Cost Subsidies

Government entities often receive goods and services from other government entities without reimbursing the providing entity for all the related costs. In addition, government entities often incur costs, such as for pensions that are paid in total or in part by other entities. These constitute subsidized costs to be recognized by the receiving entity. An imputed financing source should be recognized equal to the imputed cost. This offsets any effect of imputed cost on net results of operations for the period. For example, an imputed financing amount is recognized when the Treasury Judgment Fund pays in whole or in part the court judgments and settlement agreements negotiated by the Justice Department on behalf of agencies, as well as certain types of administrative awards.

Transfers of Assets

An intragovernmental transfer of cash or of other capitalized asset without reimbursement changes the resources available to both the receiving entity and the transferring entity. The receiving entity should recognize a transfer-in as an additional financing source in its result of operations for the period. Similarly, the transferring entity should recognize the transfer-out as a decrease in its result of operations. The value recorded should be the transferring entity's book value of the asset. If the receiving entity does not know the book value, the asset should be recorded at its estimated fair value as of the date of transfer.

To the extent that a Federal entity's exchange revenue that is included in calculating net cost of operations is required to be transferred to the Treasury or other Federal entity, the amount should be recognized as a transfer-out in determining the net result of operations.

SFFAS No. 7, Appendix B, *Guidance for the Classification of Transactions*, provides authoritative guidance for determining which transactions should be classified as exchange transactions and that should be classified as nonexchange transactions or other financing sources.

5.01.4.d User Fees

Full Cost: The Delphi accounting records must be the official source of cost determinations. The legal or administrative basis for exception to full cost recovery must be reflected in the accounting records. Full cost must include all direct and indirect costs of providing a property, resource, or service.

Pricing Policy: OAs shall:

- Require all non-Federal applicants to make payment in advance of, or simultaneously with, the rendering of goods or services unless appropriations and authority are provided in advance to allow reimbursable services;

- Set user fees as rates rather than fixed dollar amounts, when possible, to adjust for changes in costs to the government or changes in market prices of the goods, resources, or services provided;

- Establish a simple schedule of fees for licensing, registration, and related activities, by classifying the various types of actions into similar groups. Where there is little variation in the cost of an action of a given type, a uniform fee scale must be established. Where there is a wide variation in the cost of an action, a graduated fee scale may be used; and

- Establish a uniform schedule of charges for like products or services, e.g., maps and charts. Price schedules must be set for each similar group of products or services rather than setting prices on an individual item basis.

As a general rule, user fees must be based on the full costs associated with producing goods or services. However, in certain instances when there is a substantial competitive demand for a good or service, or in instances when it is necessary to achieve a balance in the demand and supply of such goods or services, user fees need not be limited to the recovery of full cost. In such instances, net revenues may be obtained.

Substantial Competitive Demand: When a substantial competitive demand exists for a good or service, user fees must be determined using commercial practices, (e.g., by competitive bidding). User fees should be adjusted appropriately to reflect demand, level of service, and quality of the good or service.

When a substantial competitive demand does not exist for a good or service, but it becomes necessary to balance public demand with existing supply, user fees may be adjusted so there will be neither a shortage nor a surplus. If operating units maintain dated or obsolete inventory items held for sale, prices may be set in order to deplete excess stock.

Application, Origination, and Guarantee Fees

OAs shall assess and appropriately record loan applications, origination, and guarantee fees on direct loans and loan guarantees provided by the Department. Such fees must be consistent with statutory prohibitions and requirements of the loan program enabling legislation.

Documentation: Costs upon which user fees are based must be reflected in the OA's accounting records. Records must be maintained of the service or activity subject to user fees; the benefits provided to recipients; exceptions to the pricing policy; and information used to establish charges and specific methods used to determine them. Predetermined rates must be established when feasible, particularly in cash sales programs. Where such rates are used, the bureaus shall document the following:

- The basis for establishing the rate;
- The method of recording and controlling variances between costs and billings; and
- Periodic evaluation of material variances and adjustments.

Collection and Disposition of Receipts

Every effort should be made to keep the costs of collection to a minimum. OAs are to ensure that the requirements of OMB Circular A-123, *Management Accountability and Control*, are applied to collection activities.

Unless otherwise prescribed by statute, user fees collected to recover costs or collected in excess of full cost must be credited to the general fund of the Treasury as miscellaneous receipts. Exceptions to this general policy may be made when statutory authorities germane to certain organizations, programs, and functions otherwise address the disposition of user fee receipts. In such cases, user fee collections must be handled in accordance with the specific provisions of those Acts.

Biennial Review and Modification of Fee Amounts

User fees charged by operating units for the lease, purchase, or use of its goods, services, and resources are to be periodically revised to reflect increases in costs, except when such fees are established by statute or through contract negotiations and competitive bids. In those instances when user fees are material, such fees must be modified on an on-going basis to reflect inflationary cost increases so as to recover the cost to the government of providing goods and services.

In compliance with the Chief Financial Officer Act of 1990 and OMB Circular A-25, *User Charges*, OAs are to review biennially all fees, royalties, rents, and other charges imposed by the OA for goods and services rendered, and other items of value. As part of this review, OAs are to make recommendations on revising each fee charged to reflect costs incurred for providing services and products to the public or other government (including Federal) agencies. OAs should consider including conditions in multi-year contracts that allow for adjustments to user fees based on biennial reviews.

5.01.4.e Accountability for Dedicated Collections

A reporting entity may be responsible for funds financed with dedicated collections that are held for later use to accomplish the fund's purpose. Some of these are held in a fiduciary capacity. Special accountability is required for the sake of the taxpayers or other contributors who make payments to the fund with the expectation that the collections will be used for the purposes for which they were dedicated, and for the sake of those who expect to benefit from the fund's future expenditures.

Such funds include all funds within the budget classified as trust funds, those funds within the budget that are classified as "special funds" but that are similar in nature to trust funds, and those funds within the Federal universe (inside or outside the budget) that are fiduciary in nature. Treasury's Fastbook lists the all of the Department's funds at http://fms.treas.gov/fastbook/index.html.

Separate financial information about these dedicated collections should be provided if they are material either to the reporting entity or to the beneficiary or contributors. The separate information may be reported on the face of the entity's general purpose financial statements, or the information may be disclosed in the notes to the financial statements. When not material to the reporting entity, this information may be provided separately in special reports to the contributors and beneficiaries (or their representatives) rather than separately in the reporting entity's general purpose financial statements or notes thereto.

Reporting for Dedicated Collections: The following information, at a minimum, should be reported for individual funds that account for dedicated collections:

- A description of each fund's purpose, how the administrative entity accounts for and reports the fund, and its authority to use those collections;
- The sources of revenue or other financing for the period and an explanation of the extent to which they are inflows of resources to the government or the result of intragovernmental flows;
- Condensed information about assets and liabilities showing investments in Treasury securities, other assets, liabilities due and payable to beneficiaries, other liabilities, and fund balance;
- Condensed information on net cost and changes to fund balance showing revenues by type (exchange/nonexchange), program expenses, other expenses, other financing sources, and other changes in fund balance; and
- Any revenues, other financing sources, or costs attributable to the fund under accounting standards, but not legally allowable as credits or charges to the fund.

Special Reports: When the above information is provided separately in special reports, the financial information required in the third and fourth bullets, above, should be combined for all such funds and the information described as “amounts for immaterial funds not presented separately in this general purpose report.” The law may require the accounting for a fund to be done in a particular way. The disclosures called for by the last bullet are required if the fund's recognition requirements, as determined by law, are contrary to applicable accounting standards with respect to certain revenue, other financing sources, or costs.

If more than one reporting entity is responsible for carrying out the program financed with the dedicated collections, then the entity with the largest share of the activity should be responsible for reporting all revenues, other financing sources, assets, liabilities, and costs of the fund.

5.01.4.f Special Pricing Considerations

In select instances, there are statutory prohibitions against imposing user fees. OAs must be aware of these prohibitions. In certain other instances, pricing policies have been established by OMB or by the Department for particular goods or services rendered to the public, including Department employees and state and local governments. Where an OMB Circular or Department policy provides guidance on a specific user charge area, the guidance of that Circular or Department policy must take precedence over the requirements of this section.

Examples of such related guidance include the following:

- Policies on setting rental rates for Government furnished quarters and facilities occupied by employees are prescribed in OMB Circular A-45, *Policy Governing Charges for Rental and Construction of Government Quarters*, as amended;

- Policies on setting prices for food, fuel, and other subsistence supplies sold to employees;

- Policies on costs of distributing information products and services are prescribed in OMB Circular A-130, Management of Federal Information Resources; and

- Policies on providing services to state and local governments are prescribed in OMB Circular A-97, Rules and regulations permitting Federal agencies to provide specialized or technical services to state and local units of government.

The head of each operating unit or designee may recommend to the CFO that the Department seek an OMB exception to the general policy when the cost of collecting the fees would be an unduly large part of the fee for the activity; or any other condition exists that, in the opinion of the head of the operating unit or designee, justifies an exception.

The legal or administrative basis for exception must be documented in the accounting records. All exceptions to full cost recovery should be supported by documentation for audit purposes.

5.01.4.g Interagency and Other Special Agreements

Interagency and other special agreements are mechanisms being used by parties entering into a relationship to formally agree to share information, provide needed services, or coordinate their programs to optimize the benefits from each party's efforts. Generally, the statement of work for other Federal, state, or local governments is established by a Memorandum of Understanding (MOU) or Memorandum of Agreement (MOA) between the Department and the parties requesting the goods or services.

Type of Agreements: The following are the five major types of agreements for work provided to other Federal, State, and local agencies:

- Collateral Agreements that are agreements of mutual interest that do not commit funds;
- Cooperative Research and Development Agreements (CRADA) that authorize Federal agencies to enter into cooperative research and development to promote technology transfer, and to improve access to science and technology;
- Joint Project Agreements that permit a Federal agency to engage on an equitable basis in joint projects or perform services on matters of mutual interest for commercial organizations, nonprofit organizations, or public organizations and agencies;
- Operating Unit Special Agreements that may allow an operating unit latitude in a specific area. This type of agreement requires commitment of funds and is usually related to the mission of the operating unit; and
- Reimbursable Agreements in which an agency provides goods or services on a cost reimbursable basis. Before an OA can allot or obligate any funds, States must advance the total amount of the Reimbursable Agreement.

Costing: The full cost recovery standard applies to these agreements. Separate projects must be established for each agreement and costs must be accumulated in accordance with the regular cost accounting techniques used by the OA. Separate projects must be established to collect the costs of activities billed through standard or other predetermined rates for specific units of output. The projects must define the activity clearly so that all costs can be accumulated and unit costs of items sold or cost of services provided can be determined. The project description also must describe the method of allocating over and under variances between costs and revenues.

5.01.5 Expense

Expense represents the outflow or other using up of assets or incurrence of liabilities (or a combination of both) during a period of providing goods, rendering services, or carrying out other activities related to the Department's programs and missions, the benefits from which do not extend beyond the present operating period.

The costs that apply to an OA's operations for the current accounting period are recognized as expenses of that period. Expenses are costs that occur

Also ensure that expenses are recognized in the period that services are rendered, not when invoices are received.

5.01.5.a Nonproduction Program Costs

Costs not related to the production of goods or services are nonproduction costs that must be separately identified on the financial Statement of Net Costs. Some nonproduction costs would include the cost of acquiring, constructing, improving, reconstructing, or renovating Federal mission property, plant and equipment; heritage assets; the cost of acquiring stewardship lands; and deferred maintenance. Nonproduction costs are reported as a separate item in the financial statements.

Deferred maintenance, for example, is defined as maintenance not performed when it should have been or that was scheduled to be performed but delayed to a future period, and should be reported as a footnote reference as part of the reporting requirement for Statement of Net Cost.

Benefit Expense (USSGL 6400)

For "program" activities, record the employer's portion of the contributions to the following employee benefit programs administered by Federal agencies: retirement, life insurance, health insurance, Voluntary Separation Incentive Payment (VSIP), Federal Employee's Compensation Act (FECA), unemployment for Federal employees, Social Security (old age, survivors insurance, and disability insurance) and Medicare (Hospital Insurance, Part A). Use an "F" attribute and a 2-digit partner (agency) code for FACTS I reporting as defined in I TFM 2-4000.

Note: Report in USSGL 6100, "Operating Expenses/Program Costs," the costs for benefits not specifically listed above. In the specific instance of employer contributions to the Thrift Savings Plan, record in USSGL 6100 with an "N" attribute.

For "administering" activities, record the amount of expense incurred for benefit payments to non-Federal entities using an "N" attribute for FACTS I reporting. This includes (but is not limited to) costs for retirement, life insurance, health insurance, VSIP, FECA, unemployment, entitlements (as listed in the definition of USSGL 2160, *Entitlement Benefits Due and Payable*), and insurance guarantees; for example, flood insurance, crop insurance, and deposit insurance.

Other Interest Expenses (USSGL 6330)

The amount of interest expense incurred by the agency from late payment of accounts and loans, and current interest accruing on amounts owed others that are not otherwise classified above.

Depreciation, Amortization, and Depletion (USSGL 6710)

Expenses recognized by the process of allocating costs of an asset (tangible or intangible) over the period of time benefited or the asset's useful life.

Imputed Costs (USSGL 6730)

OMB limits recognition of imputed costs to specific categories identified in OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*, as amended. The amount of costs incurred by a Federal entity for goods and services provided and paid for in total, or in part, by other Federal entities. The balance in this account must equal the balance in USSGL 5780, *Imputed Financing Sources*.

Future Funded Expenses (USSGL 6800)

The amount of accrued expenses that are required to be funded from future-year appropriations. Examples include, but are not limited to, accrued annual leave expense and upward subsidy re-estimates for credit reform loan programs.

SECTION 6: FINANCIAL STATEMENT SUBMISSIONS AND DELIVERABLES

The Departmental consolidated financial statement is prepared to report the financial position and results from operations of the Department of Transportation, as required by the Chief Financial Officers Act of 1990, as amended by the Federal Financial Management Act of 1994, Title IV of the Government Management Reform Act of 1994. The consolidated statement is prepared from the books and records of DOT in accordance with OMB requirements for form and content for entity financial statements and DOT's accounting policies and procedures.

OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*, is used to prepare the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and Statement of Financing. These statements are different from the financial reports prepared pursuant to OMB directives that are used to monitor and control the use of budgetary resources.

Balance Sheet: Presents agency assets and liabilities, and the difference between the two, which is the agency net position.

Statement of Net Cost: Presents the gross costs of programs less earned revenue to arrive at the net cost of operations for both programs and for the agency as a whole.

Statement of Changes in Net Position: Reports beginning balances, budgetary and other financing sources, and net cost of operations, to arrive at ending balances.

Statement of Budgetary Resources: Provides information about how budgetary resources were made available as well as their status at the end of the period. Recognition and measurement of budgetary information reported on this statement is based on budget terminology, definitions, and guidance in OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*.

Statement of Financing: This statement is intended to be a bridge between an entity's budgetary and proprietary accounting. The Statement of Financing illustrates the relationship between net obligations derived from an entity's budgetary accounts and net cost of operations derived from an entity's proprietary accounts by identifying and explaining key differences between the two numbers.

Notes to the Statements: Notes to the financial statements communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements.

6.01 MONTHLY FINANCIAL STATEMENTS

Each OA will prepare and submit monthly unaudited financial statements[22] that comprise of the Balance Sheet, Statement of Net Cost, Statement of Net Position, and Statement of Budgetary Resources according to the published reporting schedule established by OFM after the close of the reporting month,

[22] Each OA is required to use, in the preparation of their financial statement and notes, the comprehensive list of cross-checks provided by OFM to the OAs.

to OFM. [23] The Statement of Financing will be due on a quarterly basis due to the complexity of preparing the statement. These financial statement submissions will not include the related Notes, RSSI, or Management Discussion and Analysis. These statements with the exception of the Statement of Financing should be prepared directly from the OA's trial balances from Delphi utilizing the Financial Statement Generator (FSG).

In addition, the OA's financial statement flux analysis, list of accruals, and Intragovernmental / Intradepartmental provider listing and elimination confirmations will also be due to OST/OFM at the end of each month.

OMB Bulletin 01-09, *Form and Content of Agency Financial Statements*, directs agencies to accelerate their financial reporting for year-end and quarterly reporting. The unaudited quarterly financial statements will be submitted to OMB no later than 21days after the end of the quarter.

These statements will assist in assessing the Department's progress on the Presidential Management Agenda's scorecard. They will also track management initiatives, showing both performance and results, and progress standing for OAs at a given point in time.

6.01.1 Flux Analysis

OMB Bulletin 01-09 increased financial reporting requirements by accelerating the due dates for the statements and requiring the completion of interim and comparative financial statements. While these financial reporting responsibilities are important, they, in and of themselves, do not meet the requirements of good financial management. A strong system of financial management requires the review and analysis of the financial statements prior to their publishing. One of the most cost-beneficial analyses compares the current financial statements to the financial statements from the same period of time from a previous accounting period to determine material changes that have occurred on the face of the statements. These material changes are then analyzed to determine what has occurred to cause the change. This analysis may point out accounting errors, such as the failure to complete an adjusting or closing journal voucher, changes in accounting practices, or a significant change in the operations of the reporting entity.

6.01.1.a Fiscal Year 2004 Financial Statement Flux Analysis Requirements

The monthly and quarterly financial statements should be compared to the financial statements for the same period from the prior year. The analysis will be due to OFM at the same time the files are provided to OFM or the Federal Highway Administration for consolidation. There are some exceptions to the required beginning period for this analysis for certain OAs. Specifically, an OA that transitioned to Delphi in FY 2003 is not required to produce financial statements until at least 60 days after the implementation. In addition, various OAs have been waived from particular monthly or quarterly financial statement responsibilities in FY 2003. If either of these situations has caused in an OA not completing a particular monthly or quarterly set of financial statements in FY 2003, then they will not have to complete the analysis for the comparable period of time in FY 2004.

6.01.1.b Instructions for Use of Analysis Tool

[23] OFM will publish a calendar for each fiscal year in the 1st Quarter of each year that will set forth required deliverables and due dates for DOT audited financial statements. In the event that a calendar for a new fiscal year is lacking, continue with dates from the prior year's calendar until a new fiscal year calendar is distributed.

OFM has designed a tool, attached electronically to this memorandum, to facilitate the completion of this analysis. This tool requires that the information from the current and previous accounting periods be input into the tool. It then calculates the percentage change from the previous to current accounting period as well as the relative materiality of the line to the applicable financial statement as a whole. This materiality level has currently been set at 10 percent. The line used to measure the materiality for each financial statement is presented on the table below.

Balance Sheet	Total Assets
Statement of Net Cost	Net Cost of Operations
Statement of Changes in Net Position	Ending Balances
Statement of Budgetary Resources	Total Budgetary Resources

Proper use of the analysis tool will flag all lines with the words "Explain Variance" that meet one of two criteria: (1) all lines that have changed +/-25 percent from the previous accounting period; or (2) all lines that have changed +/- 5 percent and represent at least 10 percent of the financial statement as a whole. The causes for the change in all flagged lines should then be determined through research by the OA. In addition, OA management should describe the cause for any other changes that they feel are material. A concise yet detailed description for the cause of the changes should be provided in the tool provided unless there is a space issue, in which case, it can be submitted in a separate document. The spreadsheet showing the comparisons and the additional word file if needed, should then be sent to OFM and to any applicable auditors. OFM will review these files and will provide any feedback that is necessary.

6.01.2 List of Accruals

Each OA will provide a monthly summary list of accruals to OST/OFM that provides a description and amount for each accrual. For guidance on accruals, see *DOT Chart of Accounts, Section 5*.

6.01.3 Provider Listing and Elimination Confirmation

OAs will provide to OST/OFM their Intragovernmental and Intradepartmental provider listing, and elimination confirmations at the end of each month.

6.02 QUARTERLY FINANCIAL STATEMENTS

In addition to the monthly deliverables described in section 6.01, OAs will submit to OST/OFM quarterly the Statement of Financing, Notes, Stewardship, and RSSI deliverables for a complete financial statement package, along with the OA's CFO certification of financial statements and FACTS.

6.02.1 GAO Checklist

GAO's *Financial Audit Manual: Checklist for Reports Prepared Under the CFO Act—Revised 2003 Exposure Draft* (GAO-04-44G) is to be used each year by the OAs to ensure a systematic, organized, and structured approach to preparing and reviewing their financial statements. The GAO's checklist can be found at http://www.gao.gov.

6.03 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) and the FACTS data verification process for fiscal year-end reporting via the FACTS I internet application on GOALS II.[24]

6.03.1 Master Appropriation File (MAF) Reporting

The MAF is used by FMS to control the submission process for Departmental ATBs and FACTS I NOTES reports. The Department maintains the MAF on the FACTS I database and submits changes to the MAF data through the FACTS I internet application. Each OA is responsible for submitting a MAF record for each of its Treasury appropriation/fund group.

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 Budget Sub-Function (BSF) ID that represents the budget subfunction of the ATB;

    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 Listing.

- A fund type ID; and
- Other codes and identifiers FMS uses for internal purposes.

6.03.2 Adjusted Trial Balance (ATB) Reporting

The reporting window for electronically submitting the fiscal year 2004 ATBs will be published by Treasury's FMS in June 2004. OAs must provide ATBs for the year ended September 30, 2004 and 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 and must be reported in dollars and cents.

6.03.3 Treasury Closing Package

The FMS developed the Closing Package to resolve material deficiencies identified by the GAO. It is designed to link agencies' comparative, audited consolidated, department-level financial statements to the Financial Report of the United States Government (FR). FMS procedures are available on the web at http://fms.treas.gov/factsi/index.html. Click on the link on the right side of the page for Closing Package Process (I TFM 2-4700).

To comply with the Closing Package requirements, verifying agencies must:

[24] Treasury Financial Manual Volume I, Part 2 - Chapter 4000 (2-4000), *Federal Agencies' Centralized Trial-Balance System (FACTS I).*

- Reclassify all line items and amounts on their comparative, audited, consolidated, department-level Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement or Note on Custodial Activity (if applicable) to the closing package financial statement formats;

- List closing package line item amounts identified as Federal (items to be eliminated in the Governmentwide consolidation) by trading partner and amount;

- Report footnotes required by the Reclassified Balance Sheet line items and other footnotes required in the FR;

- Disclose other information not contained in the primary FR financial statements and footnotes required to meet GAAP requirements; and

- Submit preclosing ATBs via the FACTS I internet application on the GOALS II.

6.04 FACTS II REPORTING

FACTS II allows OAs to electronically submit one set of accounting data (mostly budgetary, some proprietary) that fulfills the needs of the SF 133 Report on Budget Execution and Budgetary Resources, Form 2108 Year End Closing Statement, and a significant amount 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.

The FACTS II is a shift from form-based reporting to USSGL-based reporting. The FACTS II collects preclosing, adjusted trial balance (ATB) data by USSGL accounts and attributes for each fund symbol.

6.04.1 Reporting Window Schedule

The Department submits FACTS II data to Treasury on a quarterly basis. All OAs are expected to comply with the most current reporting window schedule that can be found on Treasury's website http://fms.treas.gov/factsii/schedule.html.

OAs 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;

- Identify all 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;

- 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;

- Budget staff needs to work with the finance staff in order to identify all of the budgetary attributes for each Treasury fund symbol not found in the G/L accounts. This includes budgetary account information such as public law numbers, definite versus indefinite budget authority, and apportionment categories; and

- 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 and provide the SF 133 printout to the budget offices for review before final submission of the data.

The budget offices will then need to provide feedback 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 in conjunction during the online 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 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 OAs reconcile their FACTS II data submitted to Treasury with the data in the Delphi database to ensure that the financial statements reflect what is separately reported to Treasury. If adjusting journal entries are required, copies need to be sent to PFM.

6.05 TREASURY REPORT ON RECEIVABLES

Draft policy pending.

SECTION 7:GLOSSARY

ADMINISTRATIVE DIVISION OR SUBDIVISION OF FUNDS

An administrative division or sub-division of funds is any distribution of an appropriation or fund, such as an apportionment or allotment. Over- obligation or over-expenditure of apportionments and allotments is always a violation of the Antideficiency Act.

AGENCY LIMITATION

For fund control purposes, an agency limitation is any administrative division or sub-division of funds made by agency officials that restricts the use of Government funds.

ALLOCATION

The amount of obligational authority transferred from one agency, bureau, or account that is set aside in a transfer appropriation account to carry out the purposes of the parent appropriation or fund.

ALLOTMENT

Authority delegated by the head or other authorized employee of an agency to agency employees to incur obligations within a specified amount, pursuant to OMB apportionment or reapportionment action or other statutory authority making funds available for obligation.

APPORTIONMENT

A distribution made by OMB of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, activities, projects, objects, or combinations thereof. The amounts so apportioned limit the obligations that may be incurred.

APPROPRIATION

An authorization by an act of Congress that permits Federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. An appropriation usually follows enactment of authorizing legislation. An appropriation usually follows enactment of authorizing legislation. An appropriation act is the most common means of providing budget authority, but in some cases the authorizing legislation itself provides the budget authority.

Appropriations do not represent cash actually set aside in the Treasury for purposes specified in the appropriation act: they represent limitations of amounts that OAs may obligate during the period of time specified in the respective appropriation acts.

APPROPRIATION WARRANT

An official document that establishes, by appropriation symbol, the individual amounts appropriated by Congress.

AVAILABILITY OF BUDGETARY RESOURCES

The availability of budgetary resources for obligations and expenditures is limited by purpose, amount, and time. There are three types of authority for incurring new obligations that are limited by time: (1) annual authority; (2) multi-year authority; and (3) no-year authority. During the period where budgetary resources are available for incurring new obligations, the account that is empowered by such authority is called unexpired account.

CAPITAL TRANSFERS

Revolving fund transactions that transfer capital investments of the United States or earnings for credit to designated capital transfer accounts.

CONTINUING RESOLUTION

Legislation in the form of a joint resolution enacted by Congress, when the new fiscal year is about to begin or has begun, to provide budget authority for Federal agencies and programs to continue in operation until the regular appropriations acts are enacted.

EXPENDITURE

For accounting and reporting purposes, transactions between appropriation and fund accounts that represent payments, repayments, or receipts for goods and services furnished or to be furnished. See also *Nonexpenditure Transfers, 3.01.8*.

EXPIRED ACCOUNTS

These are appropriation or fund accounts in which the balances are no longer available for incurring new obligations because the time available for incurring such obligations has expired. Unless otherwise specified by law, annual or multi-year authority (for incurring new obligations) for an account expires at the beginning of the fiscal year following the specified year or multi-year period. For five years, the expired account is available for expenditure to liquidate valid obligations incurred during the unexpired period. At the end of the fifth year, the expired account is canceled.

NONEXPENDITURE TRANSACTIONS

Transactions that do not represent payments for goods and services, but serve only to adjust amounts available in accounts. Nonexpenditure transactions include (1) transfers of appropriations (based on appropriation warrants); (2) borrowings from Treasury and repayments of those borrowings; and (3) credits to miscellaneous receipts. Nonexpenditure transactions do not appear in Treasury reports or in the budget document as receipts or expenditures. These transactions do not affect the budget surplus or deficit.

OUTLAY

A payment to liquidate an obligation (other than the repayment of debt principal). Outlays generally are equal to cash disbursements but also are recorded for cash-equivalent transactions, such as the subsidy cost of direct loans and loan guarantees, and interest accrued on public issues of the public debt. Outlays are the measure of government spending.

REAPPROPRIATION

An extension of the availability of unobligated balances of budget authority that have expired or would otherwise expire as a result of legislation enacted subsequent to the law that provided the budget authority.

REIMBURSEMENT

Sums received by the Federal Government as a repayment for commodities sold or services furnished either to the public or to another government account that are authorized by law to be credited directly to specific appropriation and fund accounts. These amounts are deducted from the total obligations incurred in determining net obligations for such accounts.

RESCISSION

The consequence of enacted legislation that cancels budget authority previously provided by Congress before the time when the authority would otherwise lapse.

RESTORATION

An unobligated amount previously withdrawn by administrative action that is again made available for obligation and outlay.

SEQUESTRATION

The cancellation of budgetary resources provided by discretionary appropriations or mandatory spending legislation, following various procedures prescribed by the Budget Enforcement Act of 1990.

SURPLUS WARRANT

A warrant document that withdraws unobligated balances of an appropriation after the period of availability has expired. A surplus occurs when receipts exceed outlays.

TRANSFER

A transaction that, pursuant to law, withdraws budget authority or balances from one appropriation account for credit to another.

REAPPORTIONMENT

A revision approved by OMB of a previous apportionment for an appropriation or fund account. This approved revision would ordinarily cover the same period, project, or activity covered in the original apportionment.

REPROGRAMMING

The movement of funds within an appropriation account to other programs, projects, or activities (PPA), resulting in fund allocations different from those specified at the PPA level in Appropriations Committee and Conference reports. For example, a shift between Administrative Expenses and individual Contract Programs in the Federal Highway Administration’s Limitation on Administrative Expenses account would require reprogramming.

Reprogramming also includes: (a) any significant change in the scope of a project, office, or program (including termination) described in the agency’s budget justifications or appropriations reports, (b) personnel shifts (including reorganizations) in cases where staffing details are shown in agency budget justifications and appropriations reports, and (c) payments to cover assessments made through reimbursable agreements.