

FINANCIAL MANAGEMENT

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1.1 Organizational Functions. Organizational functions for the Bureau and its Financial Management activities are as described below:

1.1.1 Bureau Management. See 5 BIAM 2.1 for the overall Bureau organization and functional statements. Each Bureau manager, at every level, must consider financial management as an integral part of his managerial responsibilities. He must measure and evaluate where a program has been, where it is going, what it has accomplished, what is yet to be accomplished, and what are the resources used and available at each of these successive stages in relation to what was planned and what has actually happened.

1.1.2 Financial Management. The Central Office Division of Financial Management is a staff organization reporting to the Director of Management Services. The Division is located in Albuquerque, New Mexico, except for a Financial Liaison Officer located in Washington, D. C., for liaison purposes at the national level. An organization chart is attached as Illustration 1. Functional statements for the major segments of the organization are as follows:

1.1.3 Functions. Financial Management is that part of the total Bureau management which is concerned primarily with the financial affairs of the Bureau and the translation of actions both past and proposed, into meaningful and relevant financial terms, information, and reports for use by Bureau and other management officials. It includes such functions as accounting, reporting, cash management, financial control of resources, systems development, analysis, investing, research, claims, disbursing, payrolling, and the furnishing of information to other Bureau officials for use in programming, budgeting, cost reduction, internal auditing, and management analysis. A portion of the centralized financial management functions, namely disbursement voucher preparation and certification, and payroll voucher preparation and certification, made under Accounting Station No. 14-20-0699 (operating account), are within the Indian Affairs Data Center, a staff organization reporting to the Director of Operating Services. Disbursement voucher preparation and certification made under Accounting Station No. 14-20-0650 (holding account), are within the Division of Financial Management.

A. Financial Liaison Officer. The Financial Liaison Officer represents the Director of Management Services and the Chief, Division of Financial Management, at the national level in coordinating financial management activities with other Bureau and Departmental officials, the Department of the Treasury, the General Accounting Office, the Office of Management and Budget, and with other Federal agencies. He directs the operations of the servicing finance office which serves the Central Office and those agencies under the Central Office not served by an Area Finance Office.

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B. Branch of Accounting Systems and Reports Analysis. Coordinates the development, formulation, and manualization of new or revised financial management, accounting, and reporting systems and procedures within the framework of Federal financial management and accounting requirements. Analyzes financial management reports and computer schedules on a Bureau-wide basis, performs internal administrative audits of financial management information generated from the centralized computer system, researches accounting information, initiates adjustments where necessary, and prepares various special and periodic reports on a Bureau-wide basis.

C. Branch of Control and Trust Accounts. Maintains control accounts at the Bureau level for appropriations, appropriation warrants, apportionments, allotments, adjustments, and related transactions. Consolidates reports from the Bureau's various accounting stations and prepares various Bureau-wide financial management reports for submission to the Department, Treasury, and the Office of Management and Budget. Provides research and advisory service for tribal trust funds and prepares special reports and statements on financial matters for Indian tribes.

D. Branch of Investments and ISSDA. Coordinates the investment program on a Bureau-wide basis for tribal trust funds and individual Indian trust funds, negotiating with Federal Reserve Banks, commercial banks, the Department of the Treasury, Area Directors and tribal officials. Serves as the Bureau's Special Disbursing Agent for Indian Service Special Disbursing Agent's accounts, and coordinates the receipt, disbursement, accounting, and reporting for the 39 separate Deputy Disbursing Agents located throughout the Bureau.

E. Branch of Irrigation and Power Accounts. Coordinates the development, establishment, and maintenance of irrigation and power accounts and accounting methods and procedures for Bureau-wide irrigation and power activities. Prepares irrigation and power accounting and financial reports required for Bureau-wide use. Develops methods and procedures for improvements to the irrigation and power accounting systems and drafts manuals and directives pertaining to irrigation and power accounting. Performs special assignments at the project and Area level to assist in updating irrigation and power accounts and for the purpose of preparing special reports to the Congress.

F. Branch of Research and Claims. Coordinates reports concerning financial irregularities and claims against sureties. Consolidates for submission to Treasury Department monthly Statements of Accountability and Transactions of tribal funds deposited in commercial banks. Preparation and certification of disbursement vouchers made under Accounting Station No. 14-20-0650 which include, but not limited to, cost of Indian tribal fund investments, and

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General Accounting Office Certificates of Settlement issued in favor of tribal attorneys on Order of Indian Claims Commission. Processes to conclusion exceptions taken by the General Accounting Office and obtains advance decisions from the Comptroller General. Processes claims against the United States, and the return of unclaimed funds of individuals, and questionable claims referred by the field for Central Office action. Administers Government Bonding Act for the Bureau. Researches and prepares interpretation of various laws and regulations.

G. Branch of Disbursements. The Branch of Disbursements, under IADC, on a centralized basis, performs the administrative audit, examination, certification and scheduling of disbursement vouchers to the Treasury Department Regional Disbursing Office and enters the transactions into the Bureau's computerized financial management system.

H. Branch of Employee Data and Compensation. The Branch of Employee Data and Compensation, under IADC, on a centralized basis, performs the administrative audit, examination, certification and scheduling of payroll vouchers to the Treasury Department Regional Disbursing Office and enters the transactions into the Bureau's computerized financial management system. Administers employee retirement accounts, Federal and state tax withholding programs, employee insurance, payroll savings, and leave accounting programs.

1.1.4 Operating Finance Offices. The Area Finance Officer, under the general direction of the Assistant Area Director, Administration, serves as the financial management authority for the installations served. He furnishes authoritative financial advice to his superiors and to program management officials. He prepares special financial reports and interprets periodic financial management reports; advises on the legality of proposed expenditures; suggests financial management methods to be used for emergency procurement; advises on the investment, retention or disbursement of tribal and individual trust funds; and advises tribal organizations on financial and accounting operations. More specifically, the representative duties of an Area Finance Officer include:

A. Counseling the Area Director and his staff on financial management matters.

B. Directing financial operations for controlling the receipt, deposit, apportionment, obligation, accrual, disbursement, and application of Federal and trust funds.

C. Directs the implementation and maintenance of prescribed financial management systems for the purpose of furnishing sound and reliable financial management information to Bureau program managers, and directs the entry of accounting data into the computerized financial management system.

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D. Maintains liaison with operating officials and provides direction to agency staff on financial management matters. Furnishes instructions, procedures, and training within the framework of the Bureau's financial management system.

E. Makes continuing studies of obligational controls and fiscal operations, and develops necessary improvements in internal controls and financial management practices. Recommends changes and improvements to the Central Office to meet local needs.

F. In an advisory capacity develops and recommends accounting and reporting procedures for Indian enterprises and associations, and upon request provides technical assistance in the installation of accounting systems.

G. Administratively examines financial management practices conducted at area and agency offices to assure their conformity with legal requirements, established policy, and prescribed standards and procedures.

H. Directs the review, analysis, and interpretation of financial management reports and directs the reconciliation of general ledger accounts and reports such as undelivered orders, accounts payable, and accounts receivable with subsidiary records or documents. Assures the prompt liquidation of obligations and the prompt removal of obligations not supported with valid obligation documents.

I. Directs the functions of the various Deputy Disbursing Agents as they pertain to the collection, deposit, disbursing, accounting, and reporting of individual Indian money received from trust resources.

J. Orients and trains new financial management employees within the area, assists in developing instructional material for on-the-job training, informs employees of work requirements and evaluates performance against such requirements, approves leave, holds staff and training conferences, and arranges for training sessions at area and agency offices for the purpose of training administrative and program management officials in the coding of documents and interpretation and use of various financial management reports.

K. In those areas where independent accounting stations exist (San Carlos Irrigation Project, Flathead Irrigation Project, and Red Lake Agency), it is expected that the applicable Area Finance Officer will furnish such technical guidance and assistance as may be necessary for proper operation

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of the accounting and reporting systems of such accounting stations, with overall technical advice and guidelines being furnished by the Central Office Division of Financial Management.

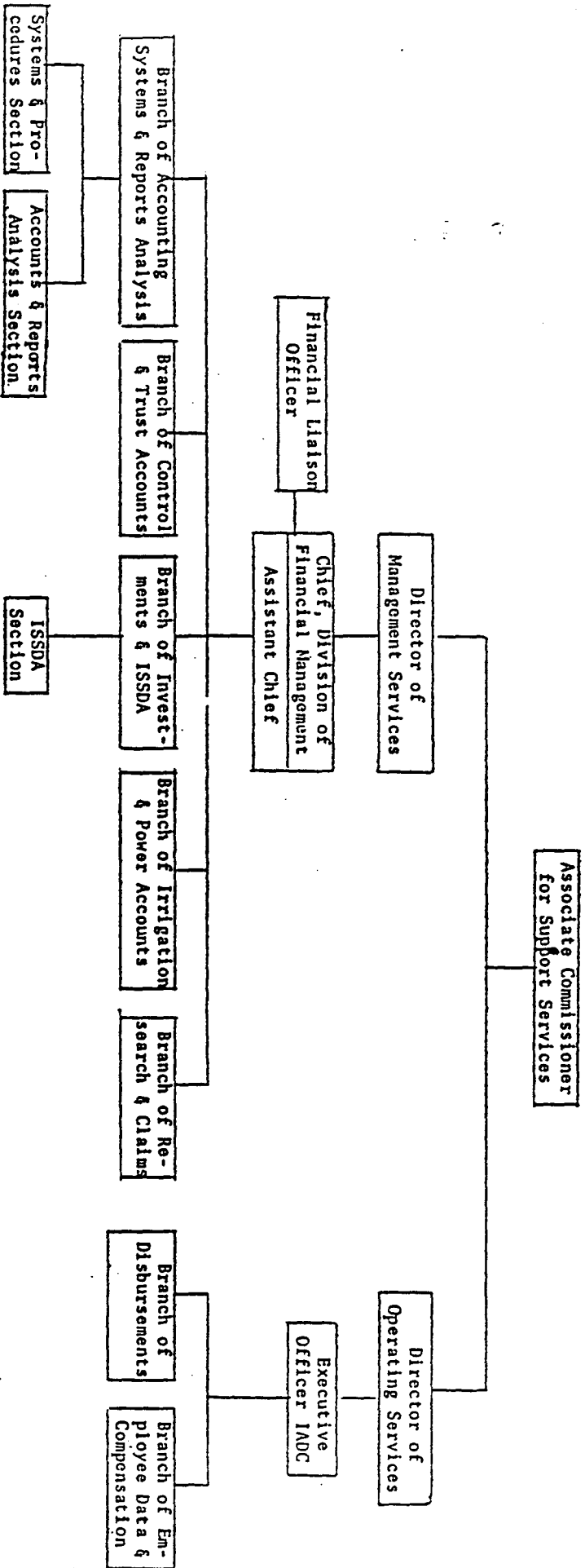
1.1.5 Other Finance Offices. The servicing Finance Office for the Central Office furnishes finance services to that portion of the Central Office located in Washington, D. C., and to the independent agencies reporting directly to the Central Office. The servicing Finance Office within the Indian Affairs Data Center furnishes finance services to IADC and to certain Central Office Divisions and other segments of the Central Office located in the field.

1.1.6 Accounting Station Responsibilities. The Chief, Division of Financial Management, is responsible for the overall activities of Accounting Stations 14-20-0650 and 14-20-0699 and their relationships with the several Treasury Department Regional Disbursing Offices. This includes overall technical responsibility for coordinating the processing of accounting documents and related transactions involving all RDO's with which the Central Office, IADC, and Area Offices do business as a part of the functions of the Accounting Station. The technical and coordinating responsibilities of the Accounting Station should be distinguished from the organizational, administrative, and operating responsibilities of the various offices (Central Office, IADC, Area Offices) who perform financial management operating functions relating to Accounting Station 14-20-0699. Organizational, administrative, and operating responsibility rests with the officer in charge of the particular organization concerned. In other words, the processing of accounting documents at the various offices must be recognized from a technical and financial management standpoint as being a part of the accounting station operations, but as being decentralized under the organizational, administrative, and operational direction of the officers in charge of the various organizations.

1.1.7 Agency and Local Facility Functions. The Administrative Manager or Administrative Officer, under the general direction of the Superintendent, is responsible for financial management matters and related training of local staff as may be delegated or assigned at this level of the Bureau organization.

Organization Chart
 Division of Financial Management

42 BIAM 1.1
 Illustration 1



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1.2 Authority and Legal Requirements.

- 1.2.1 The Budget and Accounting Procedures Act of 1950, (64 Stat. 832) as amended provides that the head of each executive agency shall be responsible for establishing and maintaining systems of accounting and internal control which conform to the principles, standards and related requirements prescribed by the Comptroller General of the United States. The act requires that executive agency accounting systems be approved by the Comptroller General when deemed by him to be adequate and in conformity with the principles, standards, and related requirements prescribed by him.
- 1.2.2 Antideficiency Act and Amendments (16 Stat. 230, 251; 33 Stat. 1214, 1257; 64 Stat. 595, 765; 70 Stat. 782;). The purposes of this legislation are to prevent overobligations of funds, to provide for more orderly rate of obligation throughout the year, to fix responsibility for exceeding apportionments, and to provide a more orderly system of fund control.
- 1.2.3 Budget and Accounting Act of 1921. (42 Stat. 20). Requires performance-type or cost-based budgets.
- 1.2.4 Federal Property and Administrative Services Act of 1949 (63 Stat. 337). Requires monetary accounting for property.
- 1.2.5 Act of August 26, 1954 (68 Stat. 800). Strengthens control over the recording and reporting of obligations, prohibits the recording of an obligation unless it is supported by valid documentary evidence, requires requests for proposed appropriations to be supported by the head of each Federal agency with a statement that the obligations reported are valid.
- 1.2.6 Act of August 1, 1956 (70 Stat. 782). Requires development of fund requests from a cost-based budget, requires development of accounting systems on an accrual basis in order to facilitate development of cost-based budgets, and requires "(1) consistency in accounting and budget classifications, (2) synchronization between accounting and budget classifications, and organizational structure, and (3) support of the budget justifications by information of performance and program costs by organizational units."
- 1.2.7 Expenditure of Appropriations by Bureau of Indian Affairs, Act of November 2, 1921 (42 Stat. 208, 25 U.S.C. 13). This act

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provides that the Bureau of Indian Affairs, under the supervision of the Secretary of the Interior, shall direct, supervise, and expend such moneys as Congress may from time to time appropriate, for the benefit, care, and assistance of the Indians throughout the United States, for certain other purposes, and for general and incidental expenses in connection with the administration of Indian Affairs.

- 1.2.8 Accounts between United States and Tribes under Reimbursable Appropriations. Acts of April 4, 1910 (36 Stat. 270), June 10, 1921 (42 Stat. 24), (25 U.S.C. 145). These acts require statements of annual accounts between the United States and each tribe of Indians arising under appropriations made, which by law are required to be reimbursed to the United States, crediting in said accounts the sums so reimbursed; and the payment out of any trust funds belonging to such tribes all balances due the United States.
- 1.2.9 Disposal of Miscellaneous Revenues from Indian Reservations, etc., Acts of March 3, 1883 (22 Stat. 590); March 2, 1887 (24 Stat. 463); May 17, 1926 (44 Stat. 560); May 29, 1928 (45 Stat. 991); (25 U.S.C. 155). These acts provide that all miscellaneous revenues derived from Indian reservations, agencies, and schools, with some exceptions, which are not required by existing law to be otherwise disposed of, shall be covered into the United States under the caption "Indian Moneys, Proceeds of Labor," and are made available for expenditure, in the discretion of the Secretary, for the benefit of the tribes, agencies, and schools on whose behalf they are collected.
- 1.2.10 Deposit in Treasury of Trust Funds, Act of April 1, 1880 (21 Stat. 70, 25 U.S.C. 161). This act authorizes the Secretary to deposit in the Treasury of the United States, any and all sums held by him on the date of the act, or which may be received as trustee, on account of the redemption of United States bonds, or other stocks and securities belonging to the Indian trust fund, and all sums received on account of sales of Indian trust lands. It provides that the United States shall pay interest semi-annually, from the date of deposit, at the rate per annum stipulated by treaties or by law.
- 1.2.11 Tribal Trust Funds, Rate of Interest, Acts of February 12, 1929 (45 Stat. 1164), June 13, 1930 (46 Stat. 584). (25 U.S.C. 161a). These acts provide that tribal trust funds, with account balances

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exceeding \$500, carried in principal accounts in the Treasury Department, shall bear simple interest at the rate of 4 per centum per annum.

- 1.2.12 Tribal Trust Funds, Separate Accounts, Act of June 13, 1930 (46 Stat. 584, 25 U.S.C. 161b). This act requires that all tribal trust funds mentioned in paragraph 8 above shall be carried on the books of the Treasury in separate accounts for the respective tribes.
- 1.2.13 Trust Funds, Investments, Act of June 24, 1938 (52 Stat. 1037, 25 U.S.C. 162a). This act authorizes the Secretary to deposit tribal and individual trust funds in banks at higher rates of interest than can be obtained from the Treasury, to invest such funds in public-debt obligations of the United States, and to invest such funds in bonds, notes, or other obligations which are unconditionally guaranteed as to both interest and principal by the United States.
- 1.2.14 Revolving Fund for Loans, Act of May 7, 1948 (62 Stat. 211, 25 U.S.C. 482). This act authorizes the Secretary to make loans from the revolving fund to tribes, bands, groups, and individual Indians.

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- 1.3 Objectives. The overall objective is the integration and coordination of functions mentioned in 1.1.3 above into a comprehensive financial management system that serves the identified needs of Bureau management and external requirements, and that will achieve maximum efficiency and economy in all Bureau operations. More specific objectives include:
- 1.3.1 Organization and Staff. Strengthening of Bureau financial management organization and staff facilities to provide for the most effective conduct of Bureau financial management operations.
- 1.3.2 Accounting Systems. Establishment and continual up-dating of a responsibility-oriented Bureau accounting system, on an accrual basis, that will serve fund and cost control needs, including monetary property accounting as an integral part of the system.
- 1.3.3 Budget Formulation and Review. Integration of the accounts with planning, programming, and budgeting practices to provide adequate support for budget formulation and review of annual cost-based requests for appropriations.
- 1.3.4 Cost-based Operating Budgets and Financial Reports. Development and use of responsibility-centered cost-based operating budgets and financial reports that will provide goal setting and cost incentives for Bureau managers in terms of the cost of all resources going into the job.
- 1.3.5 Accounting Structure. Simplification of the Bureau's appropriation and allotment structures, and development of the most effective methods of control of appropriations, funds, obligations, expenditures, and costs.
- 1.3.6 Accounting Classifications. Use of consistent classifications to facilitate effective coordination of Bureau programming, budgeting, accounting, and reporting practices.
- 1.3.7 Internal Controls. Establishment of suitable internal control practices.
- 1.3.8 Integration of Accounting and Reporting. Integration of the Bureau's accounting and reporting systems with its management information and control systems in a manner that will satisfy

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the requirements of the budget process, internal management needs, and the central accounting and reporting of the Treasury Department.

- 1.3.9 Reports. Development of accurate and useful reports on fiscal status, financial results of operations, and cost of performance of assigned functions.
- 1.3.10 Staff Development. Development of staff in the effective maintenance and maximum utilization of financial management tools to effect economy in Bureau operations.

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- 1.4 Responsibility for Financial Programming, Budgeting, Accounting, Reporting, and Internal Auditing. The organizational arrangements and related assignments of responsibility for financial programming, budgeting, accounting, reporting, and internal auditing are as follows:
- 1.4.1 Financial Programming. Basic financial programming at the operating level is the responsibility of Superintendents, Area Directors, and other line officials in charge of Bureau operational programs. Overall Bureau financial programming is the responsibility of the Commissioner, the Deputy Commissioner, and appropriate Assistant Commissioners.
- 1.4.2 Budgeting. Responsibility for budgeting within the Bureau lies with the same officials mentioned in 1.4.1 above with staff coordination responsibilities assigned to the Assistant Commissioner for Administration. See 41 BIAM for detailed budgeting requirements and responsibilities.
- 1.4.3 Accounting. Overall responsibility for accounting within the Bureau is with the Assistant Commissioner for Administration. Staff responsibility at the Bureau level is assigned to the Chief, Division of Financial Management. At Area, Agency, and local facility levels, it is the staff responsibility of appropriate financial management and administrative staff as assigned by Area Directors and Superintendents.
- 1.4.4 Financial Reporting. Financial reporting within the Bureau is primarily based on financial transactions entered into the accounting system by the Central and Area Offices, by the Indian Affairs Data Center, and by the independent accounting offices. Actual production of the reports from computer records and from other records of account is the responsibility of the Executive Officer, Indian Affairs Data Center, and the several officers in charge of independent accounting offices. Responsibility for financial reporting systems and procedures, review and analysis, control, and consolidation, is with the Chief, Division of Financial Management.
- 1.4.5 Internal Auditing. Overall responsibility for internal auditing is with the Departmental Office of Survey and Review. See 24 BIAM 1 for auditing responsibilities of the Bureau's Accounting Services Staff.

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Principles and (Rel. 42-57, 1-7-81)

- 1.5 Accounting [System] Standards. The standards prescribed in 2 GAO 8 must be recognized in the development of or revisions to the Bureau's accounting system. These include:
- 1.5.1 Statutory Requirements. Adherence to all applicable laws and a system which assures that the resources of each appropriation or fund are applied only to the purposes as authorized by law.
- 1.5.2 Management and Congressional Needs.
- A. PPB. Cost and other information for planning, programming, budgeting, control, and reporting of Bureau operations.
- B. Control and Reports. A basis for control over funds, property, and other assets and a basis for developing and reporting costs of performance in accordance with major organizational segments, budget activities, and the program structure adopted under the PPB system.
- C. Other. Requirements of other organizations including the Bureau of the Budget, Treasury Department, and the Congress.
- 1.5.3 GAO Requirements. Conformance with requirements prescribed by the Comptroller General.
- 1.5.4 Usefulness of Financial Data. The financial data produced by the accounting system must be useful to the officials requiring it in the proper discharge of their management responsibilities.
- 1.5.5 Accounting for Responsibilities. The system should furnish a framework which can be fitted to assignments of activity for specific programs, it should provide a method of reporting as a basis for judging performance, and it should provide information to demonstrate whether past performance has been consistent with planned programs and within established financial limits.
- 1.5.6 Consistency of PPB and Accounting Classifications. To the extent possible PPB and accounting classifications should be consistent with each other and should be synchronized with the Bureau's organization structure in order that data produced will be of maximum use in support of the planning-programming-budgeting system and in support of cost-based operating budgets and budget requests presented to the Congress for appropriations.

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- 1.5.7 Technical Requirements. The accounting system should provide complete and reliable records of the resources and operations, including all funds, property and other assets, receipts and revenues, expenditures, and costs. Records on quantitative data should also be maintained as appropriate for producing useful data and unit costs for planning, control, and other management purposes. Transactions should be supported in Bureau files with pertinent documents available for audit and should be so recorded that they can be readily traced from the original documents to summary records and thence to financial reports issued.
- 1.5.8 Qualified Personnel. Bureau officials who rely on financial information produced by the accounting system in carrying out their duties are entitled to and should demand a high degree of technical competence. Accordingly, care should be exercised in the selection and retention of top accounting personnel.
- 1.5.9 Truthfulness and Honesty. The highest standards of truthfulness and honesty must be applied in accounting for the receipt, disbursement, and application of Bureau funds. Transactions should not be recorded in a manner that will produce materially inaccurate, false, or misleading information.
- 1.5.10 Accrual Basis of Accounting. The accrual basis of accounting is required in order to achieve the objectives set forth in the Budget and Accounting Procedures Act of 1950. The Act of August 1, 1956 (31 U.S.C. 66a(c)) provided more specifically that accounts be maintained on an accrual basis. This means that records of account must reflect financial transactions such as changes in assets, liabilities, and sources of funds caused by the incurrence of obligations, expenditures, costs and expenses, the earning of revenues, the receipt and disbursement of cash and other financial transactions as they occur.
- 1.5.10A Accrued Expenditures. Expenditures accrue regardless of when cash payments are made, regardless of whether invoices have been rendered, or, in some cases, whether goods or tangible property have been physically received. Constructive receipt of goods or other tangible property, rather than physical receipt or the passing of legal title, is the measure of accrual in certain cases. When a contractor manufactures, fabricates, or constructs goods, equipment, buildings or other

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items to the Bureau's specifications, such as a special machine, a computer, a school building, a bridge or a road, constructive receipt occurs in each accounting period when the contractor earns a portion of the contract price, and the accrual takes place as the work is performed based on progress or other reports. Formal acceptance of the work by the Bureau is not a test.

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- 1.6 *Financial Planning* Concepts of Fund and Cost Control. The principle purposes of Section 3679 of the Revised Statutes (The Anti-deficiency Act) are to prevent the incurring of obligations or the making of expenditures (disbursements) which would create deficiencies in appropriations and funds, to fix responsibility for excess obligations and expenditures (disbursements), and to assist in bringing about the most effective and economical use of appropriations and funds.
- 1.6.1 Fund Control. The term "fund control" refers to management control over the use of fund authorizations to assure that funds are used only for authorized purposes, they are economically and efficiently used, and obligations and expenditures (disbursements) do not exceed the amounts authorized.
- 1.6.2 Cost Control. The term "cost control" refers to the management of carefully devised financial plans based on estimated cost for the accomplishment of a specified or essential objective, project or activity. It should be distinguished from obligation or allotment control where reliance on detailed allotment controls results in primary emphasis on the spending of available funds and operating so as to avoid overspending the amounts allotted for various purposes rather than on the management objective of operating efficiently and economically, judged in terms of cost.
- 1.6.3 Levels of Planning and Control. Financial planning is carried out at all management levels within the Bureau. Although fund control is also a responsibility of management officials at all levels, it is primarily the responsibility of the allottee to whom funds have been allotted by the Central Office. Cost control is primarily the responsibility of those management officials who have been assigned accountability for the accomplishment of specific programs, objectives, projects, or activities. Apportionments and allotments for budgetary control purposes should be established at the highest practical level and should be limited in number to those levels essential for effective and efficient administration (2 GAO 10.6).

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Rel. 42-37, 1-7-81.

- 1.7 Financial Controls For Assets Procedures for adequate control over assets are to provide assurance that they are used properly and only for authorized purposes; that they do not leave the possession of the Bureau except under proper authorization; that adequate measures are taken for their care and preservation; and that no assets are written off, reduced in value, or otherwise disposed of without proper authorization.
- 1.7.1 Cash. Cash resources include fund balances with the U. S. Treasury representing available expenditure authorizations granted by the Congress. There must be a complete, honest, and accurate accounting for all cash receipts, disbursements, and balances on hand or otherwise available for use.
- A. Receipts. All receipts shall be deposited promptly. The recording of cash receipts by collection officers should not be deferred until they are transmitted to a depository by an authorized collector.
- B. Disbursements. Disbursements shall be recorded promptly.
- C. Records. Bureau accounting records for cash transactions shall be closed at the end of accounting periods so that all transactions consummated during those periods, and only such transactions, are included in the accounting reports.
- 1.7.2 Receivables. Prompt accounting for receivables is an important form of control over Bureau resources and results in a systematic record of amounts due that must be accounted for. Bills for Collection should be promptly issued and recorded for performance of services, sales of materials, loans or advances made, in order that they will be accounted for as assets from the time the acts giving rise to such claims occur until they are collected.
- 1.7.3 Property. Section 2 of the Act of August 1, 1956 (31 U.S.C. 66a (c)), requires that the accounting system include adequate monetary property accounting records. See 2 GAO 12.5 for monetary accounting principals, standards, and methods pertaining to acquisition costs, capitalization of fixed assets, constructed property, real property acquired under lease-purchase contracts, interagency transfers of property, trade-ins, property acquired

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by foreclosure processes, purchase discounts, and physical inventories. See 43 BIAM for detailed procedures pertaining to property management.

- 1.7.4 Advances and Prepayments. Advances and prepayments for travel, construction contracts, "Buy Indian Act" contracts, grants, and other purposes shall be recorded as assets. When performance occurs, the accrued expenditure shall be recorded and the asset account reduced accordingly (2 GAO 12.6).

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- 1.8 Internal Controls. The general objective of the Bureau's internal control system is to facilitate accomplishment of Bureau objectives and programs as effectively, efficiently, and economically as possible and at the same time assuring compliance with all applicable laws and regulations. More specific objectives include:
- 1.8.1 Adherence to Congressional Authorizations. Avoiding the obligation of funds in excess of Congressional appropriations, authorizations, or other restrictions.
- 1.8.2 Safeguarding of Assets. The safeguarding of funds or other assets against waste, loss, improper or unwarranted use, or misappropriation.
- 1.8.3 Accounting for Revenue. Assuring that all Bureau and trust fund revenues are collected and properly accounted for.
- 1.8.4 Integrity of Reports. Assuring the accuracy of all financial reports.
- 1.8.5 Segregation of Duties. To minimize unauthorized, fraudulent, or irregular acts by segregating such assigned duties as authorizations, performance, financial record keeping, collecting, disbursing, and custody of funds, so as to provide internal checks on performance.

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- 1.9 Financial Reporting System. Financial reports should be prepared to clearly disclose significant financial facts about Bureau and trust fund operations and activities. They should be prepared and issued as often as necessary to be of maximum use to Bureau management officials and to meet prescribed external requirements. See 2 GAO 17.2 and 42 BIAM Supplement 2.17 for details concerning type and content of Financial Reports.

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1.10 Relationship of Accounts and Reports to Budget Formulation and Execution. The following is an explanation of the relationship of accounts and reports to budget formulation and execution:

1.10.1 Budget Formulation. Annual budget estimates for Bureau appropriations are submitted to the Congress by the President. These estimates are separated by appropriations or other major fund categories and within each appropriation information is furnished in further detail by activity, sub-activity, in some cases by project and cost feature, and by object class. Information is also furnished as to amounts of costs, obligations, expenditures, and other types of transactions. The Bureau's accounting system must be designed and constantly updated in such a manner as to reflect these types and categories of financial transactions in order that financial reports will be available to support budget formulation processes and the Bureau's portion of the President's budget.

1.10.2 Budget Execution. The operating or cost-based budget is based on approved operating or financial programs which must be closely adhered to in the execution of such budgets. Financial reports must reflect current costs by the various fund breakdowns in order to permit management officials to determine progress being made and to permit prompt revisions of programs to meet changed conditions.

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- 1.11 Coordination of Accounting with Management Information System.
Bureau financial management practices, particularly the operating budget, accounting, reporting, and control systems need to keep pace with the demands of the output-oriented PPB structure of the Bureau and with the strengthened planning, programming, and budgeting practices being developed. Accounting systems and functions must be designed in such a manner as to facilitate responsibility-centered reporting under a unified management information and control system.

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1.12 Funded and Unfunded Costs. The Bureau's accounting system provides for both funded and unfunded costs. The two categories of cost are not intermingled and they do not lose their identity. In reporting, however, the unfunded costs may be added to the related funded costs at any desired classification level, such as appropriation, program activity, sub-activity, or cost feature.

1.12.1 Funded Costs. Funded costs represent the application of appropriation or other fund balances, or the use of other current working assets, such as prepayments, advances, and inventories for the accomplishment of Bureau programs.

1.12.2 Unfunded Costs. Unfunded costs represent charges not payable from existing appropriations, such as charges for accrued leave and for depreciation, losses on the exchange or disposal of property, and the acquisition of certain property without cost to the Bureau. Many unfunded costs are "non-responsibility" costs. Reporting them in detail would not serve a useful purpose and would divert attention from costs for which management is held responsible.

A. Depreciation. Depreciation on general fixed assets of the Bureau will be computed, on a selected basis, when necessary for unit-cost purposes or for the billing of certain reimburseable costs. Except for certain construction equipment and facilities, and power projects, depreciation charges for general fixed assets are used for memorandum purposes only, and are not reflected in the accounts. Depreciation is used for selected enterprise operations when the charge is used in the rate base or when recovered in billings. Depreciation is not used for irrigation projects where the capital cost is recovered in repayment contracts and the replacement of equipment are recovered on the basis of annual assessments. When depreciation is included as a factor in reimbursements to an annual appropriation, the amount of depreciation involved is not credited to the appropriation but is deposited in the General Fund of the Treasury.

B. Accrued Leave. 2 GAO 16.8(a) states, "As a minimum requirement, Federal agencies shall accrue in their accounts and disclose in the financial reports the cost and related

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liability for accrued annual leave as of the close of each fiscal year regardless of whether funds have been made available to pay for such leave. Net increases or decreases in such cost should be classified as an operating cost for the year in agency financial reports." The Bureau's accounting system provides a method for inventorying and entering a liability for accrued annual leave in the general ledger accounts and for adjusting the liability at the end of the leave year and at the end of the fiscal year.

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- 1.13 Coding Principles. One of the major advantages of the use of the computer is that one entry or "input" of data, properly coded, will provide many different types of information, related data, or "outputs." An objective is to capture as much information at the source and at the time the transaction originates as is possible. In some instances the computer is programmed to store certain financial data in a manner which will permit processing of subsequent and related transactions without further coding. Other entries are automatically generated on the basis of document cross references or on the basis of transaction codes. It is absolutely essential, therefore, that those responsible for coding original documents are properly trained and that financial documents are reviewed for proper coding before entry into the accounting system. See Supplement 42 BIAM 12 for detailed listings of the various financial management and related fiscal codes.

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Donations

1.14 Donations.1.14.1 Acceptance of Donations.

A. Policy. Under the Act of June 8, 1968, (82 Stat. 171), the Bureau of Indian Affairs may accept donations of cash or property to be used for the benefit of Indian people. Upon receipt of an offer of a donation, our sincere interest in the proposal should be indicated to the prospective donor. The donor should not be confronted with delay, frustration, or confusion. Heads of operating offices at all Bureau locations will be responsible for seeing that this policy is carried out.

B. Procedures for Negotiable Instruments, Bonds, and Cash.

- (1) The point of first contact will accept custody of the donation on an immediate basis. Only those donations which are of a particular use to the Bureau will be accepted. Those donations which must be declined will be handled as follows:
 - (a) Exercise caution at all Bureau levels in correspondence declining offers of donations. Tactfully explain that we have no need for the donation or we are not able to handle the offer or both. In any event, express our appreciation for their interest in Indian welfare.
 - (b) Furnish the prospective donor with a sufficient number of referrals to tribal, other Indian, sectarian, or other service organizations so that the donor has a full and free choice of alternatives for his own decision.
- (2) Negotiable instruments, bonds, and cash will be immediately referred to the installation's Finance or Administrative officer.
- (3) Negotiable instruments, bonds, and cash will be deposited and accounted for under appropriation symbol 14X8563, Funds Contributed for the Advancement of the Indian Race, BIA, in accordance with established accounting procedures.
- (4) Offers of cash or other negotiable instruments of less than \$50 shall generally be declined. Cash in these amounts arriving without advance notice will be deposited and processed in accordance with the procedures of this section.

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- (5) Negotiable instruments payable to a third party, such as a tribal organization, are to be referred directly to the payee with notice to the donor of the action taken. Instruments payable to the Bureau the proceeds of which must be conveyed to an Indian individual or organization are to be deposited. A Treasury check payable to the third party will then be drawn and transmitted.

1.14.2 Disposition of Donations.

A. Responsibility and Jurisdiction.

- (1) The Central Office shall be responsible for management of donations designated for the benefit of Indian people and activities in general.
- (a) The Commissioner shall determine the manner in which all donations shall be used by the Bureau toward achievement of maximum and most beneficial use.
- (b) The Assistant Commissioner for Administration will execute necessary accounting supervision and report requirements for the Central Office.
- (c) The Assistant Commissioners for Education, Community Services, and Economic Development shall each exercise management of donations designated for use within their respective program jurisdictions.
- (2) Area Directors shall exercise management of all donations designated for use within their respective geographical jurisdictions. The Assistant Area Directors for Administration, or those otherwise exercising Area Office financial and property management responsibilities, will execute necessary accounting supervision and report requirements for their respective Area Offices.
- (3) The management of donations specifically designated for the use of specific installations such as irrigation projects and boarding schools will be exercised by the officer in charge.

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- B. Procedure for Disposition of Designated Donations.
Determination of jurisdictional responsibility shall be made immediately on the basis of who the beneficiaries are to be. Negotiable instruments, bonds, and cash should then be transferred to the appropriate jurisdiction immediately.
- C. Procedure for Disposition of Undesignated Donations.
Donations of all kinds which have not been designated for specific purposes by donors shall be set aside for such use as the Commissioner may prescribe. Designation shall be accomplished as follows:
- (1) A special committee is hereby formed for the purpose of programming use of undesignated donations of all kinds. The committee membership is composed of the six Assistant Commissioners and is chaired by the Deputy Commissioner.
 - (2) The Assistant Commissioner for Administration shall be responsible for convening the special committee as necessary.
 - (3) The special committee shall meet, determine the disposition that should be made of donations, and make recommendations to the Commissioner for his approval.

Basic

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2. Accounting Systems and Procedures. In accordance with 2 GAO 28(2), this and subsequent BIAM Supplements are intended to describe the Bureau's financial management and accounting system in detail, display the forms used, state the procedural steps, and illustrate the reports issued. See the basic manual, 42 BIAM 1 through 1.13 for overall principles and standards.
- 2.1 Definitions. The following definitions are intended to clarify accounting and other financial management terms used in the accounting systems and procedures manual:
- 2.1.1 Account. A financial record of transactions relating to an appropriation, activity, sub-activity, individual, item of property or other type of asset, liability, capital investment, element of revenue, or expenditures for a given fiscal period.
- 2.1.2 Accountabilities. Those items for which a person, or organization must render an account, although he or it may not be personally liable for them. For example, an official is responsible for the cash and other assets under his control and must account for them. Moreover, even if a person has disbursed all funds confided to his care and has relieved himself of liability, he is still obliged to account for them, and the items are, therefore, accountabilities.
- 2.1.3 Accounting. This term has two general meanings:
- A. The recording, verification, reporting, analysis, and interpretation of transactions, and the designing, installation, testing, and operation of classifications and systems of accounts, methods of budgeting, and internal controls. In their more general uses, accounting and accountancy are synonymous. Accountancy, however, always has reference to the entire field of activity, while accounting is often restricted to particular practices, a related group of accounts, or the work of accountants.
- B. A report of transactions by one charged with responsibility for assets; the spending of a cash advance, or the carrying out of any task. Examples: an accounting for cash disbursed from an imprest cash fund; a report by an agent to his principal, often accompanied by a cash settlement for an amount owing.

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- 2.1.4 Accounting Entity. A fund, or any subdivision of the Bureau, for which a complete system of accounts is maintained, and for which separate financial reports are prepared. Whether or not a separate accounting system should be instituted depends upon the legal requirements, or, as a rule, on such factors as the distance from the general office and the degree of operating authority and responsibility attached to the management of the subdivision or office.
- 2.1.5 Accounting Manual. A handbook of accounting policies, standards, and practices governing the accounts of the Bureau; it includes the classification of accounts.
- 2.1.6 Accounting Period. A period, such as a month or year, at the end of which and for which financial statements are prepared. See also FISCAL YEAR.
- 2.1.7 Accounting Procedure. Methods used in processing accounting information so that it will be reflected in the accounting records in an orderly manner.
- 2.1.8 Accounting Report. A formal statement, with or without narrative, showing the financial condition of an appropriation, fund, budget, allotment, or allocation account at a given time, or the results of transactions or operations for a given period.
- 2.1.9 Accounting System. A plan including methods, procedures, and forms for recording, classifying, and summarizing financial and economic data for a given period of time or a particular undertaking.
- 2.1.10 Accounts Payable. The accrued and unpaid amounts due employees at the end of the accounting period, as determined from time reports, and amounts due contractors or vendors for services, materials, supplies, equipment, rights of way, etc., when evidence of completion or delivery, and acceptance has been received by the Bureau.
- 2.1.11 Accounts Receivable. Amounts owed to the Bureau on open accounts.
- 2.1.12 Accrual Accounting System. A system in which expenses incurred and income earned for a given period are reflected and recorded regardless of whether such expenses are actually paid or whether such income has actually been collected.

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2.1.13 Accrual Basis (of accounting). The method of accounting whereby revenues and expenses are identified with the specific period of time such as a month or year, and are recorded as incurred, along with acquired assets and expenses applicable to the period, without regard to the date of payment. This is distinguished from the Cash Basis.

2.1.14 Accrued Expenditures. A basis of recording goods and materials received, and services performed, regardless of when ordered or paid for. The accrued expenditure basis of accounting also provides for the accumulation of the total outgo of all budgetary transactions, which is required in the budget presentation. It is based on the accrual basis of accounting. It is the starting point for direct cost accounting, and responsibility accounting. All accrued expenditures are charged to responsible cost centers. Accrued expenditures represent two types of cost, (1) used, or expired, and (2) unapplied, prepaid or deferred. Accrued expenditure accounting as used in the BIA automatically produces the following, which is necessary for the cost-type budget:

- (1) Cost-funded
- (2) ± Change in Selected Resources on Hand (Current Working Assets)
- (3) = Accrued Expenditures

2.1.15 Accrued Income. Income which has been earned up to, or is due at, a given date, but has not been collected.

2.1.16 Activity. The first major budgetary segment of an appropriation item. As an example, under the appropriation "Education and Welfare Services," there are four activities as follows:

- Educational assistance, facilities and services
- Welfare and guidance services
- Relocation and adult vocational training
- Maintaining law and order

Activities do not necessarily follow the Bureau's organizational pattern although they are synchronized with the Bureau's organization structure. See 42 BIAM 1.5.6.

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- 2.1.17 Activity Accounting. The classification and accumulation of accounting information by designated activities with the object of aiding management in the control and evaluation of activity operations and in the comparison of performance with activity planning.
- 2.1.18 Administration. That organizational segment of management embracing the supervision and operation of any organization.
- 2.1.19 Advances for Construction. A liability for money received to finance extension of facilities.
- 2.1.20 Advances Outstanding. Amount of money advanced pursuant to a statutory authorization in contemplation of the receipt of goods, travel or other services, or other assets, for which an equivalent amount of goods and services has not been received.
- 2.1.21 Agency. This word has two meanings:
- A. When used in connection with transactions outside the Bureau: Any executive department, independent establishment, or corporation in which the United States has a proprietary interest, direct or indirect, except a Federal Savings and Loan Association, or any corporation in which the proprietary interest of the United States is evidenced only by preferred stock or capital notes acquired through the Reconstruction Finance Corporation or production credit corporations.
 - B. When used with reference to the Bureau: Any Indian Reservation or Indian Agency. See Agency and Local Facility.
- 2.1.22 Agency and Local Facility. For purposes of management and control, the Area Office jurisdictions have been divided among geographical, tribal, or administrative districts known as Agencies, Area Field Offices, non-reservation schools, and Irrigation projects. Each Agency is under the direction of a Superintendent, who is responsible for the operation of its activities and reports to the Area Director. Those units not designated as Agencies are referred to as Local Facilities.
- 2.1.23 Allocation. This word has two meanings:
- A. Any amount set aside by an agency in a separate appropriation or fund account for the use of another agency in carrying

out the purposes of an appropriation under its auspices.

B. A distribution of an appropriation or fund within a prescribed amount to a primary organizational component or a program manager for the purpose of making allotments.

- 2.1.24 Allottee. The person responsible for an allotment.
- 2.1.25 Allotment. An authorization by the head of an organization (the allocatee) made to another individual to incur obligations within a specified amount during a period of time pursuant to an appropriation or other statutory provision.
- 2.1.26 Allotment Advice. Document evidencing action taken by an official of an operating agency making funds available to another office for obligation.
- 2.1.27 Allotment Ledger. A subsidiary ledger which contains an account for each allotment, showing the amount allotted, expenditures, obligations, the net balance, and other related information.
- 2.1.28 Allotment Number. A series of numbers assigned to an allotment advice, consisting of the identity of the program and the serial number of the allotment for use in budgetary accounting and control.
- 2.1.29 Amortization. The gradual extinguishment of an amount in an account by prorating such amount over a fixed period, over the life of the period during which it is anticipated the benefit will be realized. The gradual reduction, redemption, or liquidation of the balance of an account according to a specified schedule of times and amounts.
- 2.1.30 Annual Appropriation. An appropriation that is available for incurring obligations only during the one fiscal year specified in the appropriation act. However, it is available for payments of such obligations for two years thereafter.
- 2.1.31 Applied Costs. The cost of services, goods, and materials used.
- 2.1.32 Apportionment. A determination by the Director of the Bureau of the Budget as to the amount of obligations that may be incurred during a specific period (a calendar quarter or the year as a

whole, if the funds in question are available without time limit or for a non-recurring purpose) under an appropriation, contract authorization, other statutory authorizations, or a combination thereof. The amounts so apportioned limit the obligations to be incurred, or when specified, the expenditures to be accrued.

- 2.1.33 Appropriated Receipts. Collections which, pursuant to law, are deposited with the Treasury for credit to a specified receipt account, and for which appropriation by Congress is required to make the money available for expenditure.
- 2.1.34 Appropriation. An appropriation is an authorization by an Act of Congress to incur obligations for specified purposes and to make payments therefor out of the Treasury.
- A. Annual Appropriation. An appropriation which is available for incurring obligations only during one fiscal year specified in the appropriation act is called an annual appropriation.
- B. Continuing Appropriation. An appropriation which is available for incurring obligations until exhausted or until the purpose for which made is accomplished, without restriction as to a fixed period is called a continuing appropriation or a no-year appropriation.
- C. Current Appropriation. An appropriation which is available for incurring obligations during the current fiscal year is called a current appropriation or an unexpired appropriation.
- D. Expired Appropriation. An appropriation which is no longer available for obligation but is still available for disbursement to liquidate existing obligations is an expired appropriation.
- E. Definite Appropriation. An appropriation the amount of which is stated in the appropriation act as a specified sum of money is a definite appropriation.
- F. Indefinite Appropriation. An appropriation, the amount of which is not stated specifically in the appropriation act,

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but which is determinable at some future date from sources specified in the act is called an indefinite appropriation. An example of this type is an appropriation of tribal funds advanced to an Indian tribe for such purposes as may be designated by the governing body and approved by the Secretary or his designee.

- G. Lapsed Appropriation. An appropriation, the undisbursed balance of which, by law, is no longer available for disbursement by the BIA is called a lapsed appropriation.
- H. Multiple Year Appropriation. An appropriation which is available for incurring obligations for a definite period in excess of one fiscal year is a multiple year appropriation.
- 2.1.35 Appropriation, Permanent. Continues indefinitely without further action by Congress. Such appropriations may be in either definite or indefinite amounts.
- 2.1.36 Appropriation, Unexpired. Is available for obligation.
- 2.1.37 Appropriation Accounts. An appropriation account is established to make amounts available for obligation and expenditure from the Treasury. Appropriation accounts include not only accounts to which money is directly appropriated but also revolving funds, working funds, and trust funds.
- A. Open Appropriation Account. An appropriation account, the balance of which has not been carried to the successor account or to surplus, is an open appropriation account. The appropriation recorded in the account may be unexpired or expired.
- B. Closed Appropriation Account. An appropriation account, the balance of which has been transferred to the successor account or to surplus, is a closed appropriation account. The appropriation recorded in the account is lapsed.
- C. Successor Account. A successor account is an account established for the payment of obligations applicable to appropriations for the same general purposes which have lapsed or have been discontinued. Such an account is available indefinitely for the payment of obligations chargeable to any of its predecessor accounts.

- 2.1.38 Appropriation Acts and Types. An appropriation act is a law by which appropriations are made out of any money in the Treasury not otherwise appropriated. The types of Acts are:
- A. Regular Appropriation Act. A regular appropriation act is the first appropriation act passed for a particular fiscal year.
 - B. Supplemental Appropriation Act. A supplemental appropriation act is an appropriation act which changes the monetary limitation, the purposes, or both, of an appropriation which is still available for obligation and for payment of existing obligations, or which establishes an appropriation not included in the regular appropriation act.
 - C. Deficiency Appropriation Act. A deficiency appropriation act is an appropriation act which changes the monetary limitation of appropriations in order to permit the liquidation of known or anticipated obligations when the sums appropriated in previous acts are not sufficient to meet such obligations.
- 2.1.39 Appropriation Expenditures. The amount of approved vouchers, claims, or other documents which have been entered in the allotment accounts of an agency as final charges against an appropriation. Such amount shall be net of refunds received.
- 2.1.40 Appropriation Receipts. Collections which pursuant to law are deposited in the Treasury as receipts and appropriated for specific purposes. Such receipts pertain only to special and trust fund accounts.
- 2.1.41 Appropriation Refunds. Appropriation refunds are derived from recoveries of advances and recoveries of amounts disbursed in error which are for credit to an appropriation account. Recovery items, such as recovery of a salary overpayment, will not be included as reimbursements but will be treated as reductions of payments.
- 2.1.42 Appropriation Reimbursements. Earnings or collections for commodities, work, or services furnished or to be furnished between appropriations or to an individual, firm, or corporation, which are to be credited to an appropriation account, constitute appropriation reimbursements. Appropriation refunds are excluded from appropriation reimbursements. In the BIA,

in addition to the foregoing provisions, reimbursements include any advance payments received by a fund.

- 2.1.43 Appropriation Repayments. Collections which, by law, can be credited directly to the appropriation accounts. Appropriation Repayments include both Reimbursements and Expenditure Refunds as follows:
- A. Reimbursements to Appropriations - which represent amounts collected for commodities or services furnished, or to be furnished, and which by law may be credited directly to appropriation.
 - B. Refunds to Appropriations - which represent amounts collected for payments made in error, overpayments, or adjustments for previous amounts disbursed, including returns of authorized advances.
- 2.1.44 Appropriation or Fund Symbol. A combination of numbers, or of numbers and the letter "X" or other symbols established by the Treasury Department to designate a particular appropriation for accounting purposes.
- 2.1.45 Appropriation (Or Fund) Title. An appropriation or fund title is a descriptive name assigned for purposes of identification to an appropriation account or accounts or to a fund. The title does not include a designation of year; hence, there may be three or more appropriation accounts with one appropriation or fund title open at one time. Each of these accounts would cover a different fiscal year.
- 2.1.46 Appropriation Transfer. An increase or decrease, by Standard Form No. 1151, Appropriation Transfer Authorization, in funds available for expenditure.
- 2.1.47 Average Employment. The number of man-years of work performed within an organizational component or activity, expressed as a single figure, and compared against the number of budgeted positions available (which represents the ultimate number of man-years available).
- 2.1.48 Area Office. For purposes of management and control, the operations of the Bureau have been organized into administrative

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jurisdictions known as Areas, the headquarters of which are Area Offices. Each Area is under the direction of an Area Director, who is responsible for the operation of all the Bureau's programs in the Area and reports to the Commissioner of Indian Affairs at the Central Office.

- 2.1.49 Assets. Any property which is of value to and is owned by or held in trust by the Bureau.
- 2.1.50 Available Receipts. Special and trust fund receipts which under law or trust agreement are immediately available in their entirety to the collecting agency as appropriations for expenditure without further action by the Congress. Excluded from this category are funds in connection with which the computation of interest charges or credits necessitates the maintenance of accounts for unrequisioned balances of appropriations on the books of the Treasury.
- 2.1.51 Balance Sheet. A statement showing the financial position of a fund, project or other accounting entity at a specific date, prepared from the books maintained by the Bureau.
- 2.1.52 Betterment. An addition made to, or change made in a fixed asset which is expected to prolong its life or to increase its efficiency, over and above that arising from maintenance, and the cost of which is therefore added to the book value of the asset.
- 2.1.53 Books of Original Entry. Those books in which the various transactions are formally recorded for the first time, such as: the Journal Voucher, the Cash Receipts Register, the Cash Disbursement Register, the Accrued Expenditures Register, the Accounts Receivable Register, and the Allotment Ledger.
- 2.1.54 Book Value. The amount at which property is recorded in the accounts before deduction of related reserves or other accounts.
- 2.1.55 Budget. A plan of financial operation embodying an estimate of proposed obligations and expenditures for a given period or purpose and the proposed means of financing them.
- 2.1.56 Budget Year. The period beginning July 1 next through the following June 30. It usually refers to the fiscal year for

which estimates are submitted, or for the fiscal year for which estimates are being considered by the BOB and Congress.

- 2.1.57 Budgetary Account. An account which reflects operations and conditions relating to an appropriation, such as estimated allotments, estimated receipts, reimbursements, and outstanding obligation.
- 2.1.58 Budgetary Control. The control or management of operations in accordance with apportionments and approved budgets with a view of keeping expenditures and obligations within the authorized amounts.
- 2.1.59 Budgetary Reserve. Reserve of appropriated funds made by the Bureau of the Budget, the officials within the Department, BIA, or the allocatees reflecting savings possible through changes in requirements, greater efficiency of operations, or provision for contingency purposes.
- 2.1.60 Capital Additions. Additions to capital assets and their financing.
- 2.1.61 Capital Expenditure. An expenditure intended to benefit future periods, in contrast to an operating expenditure, which benefits a current period; a capital charge; the term is generally restricted to expenditures that add fixed-asset units or that have the effect of increasing the capacity, efficiency, or span of life of existing fixed assets; a capital addition. It may represent a fixed or movable asset, a loan, or an investment. As used in this manual capital expenditures represent the capital outlay for the annual budget cycle.
- 2.1.62 Capitalize. To record and carry forward into one or more future periods any expenditure the benefits or proceeds from which will then be enjoyed; to debit or add to any asset account; see capital expenditure.
- 2.1.63 Carry-over. Amount of appropriated funds or unliquidated obligations remaining on the last day of a fiscal year, which, by law, are automatically available for obligation or expenditure in the succeeding fiscal year.
- 2.1.64 Ceiling Position. A financeable position that is included under the position ceiling established by the Bureau of the Budget.

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- 2.1.65 Certifying Officer. A person who attests to the existence of facts legally required to support a payment from an appropriation or fund (see Act of December 29, 1941, 55 Stat. 875).
- 2.1.66 Change in Selected Resources. Entry in the BOB budget schedules and cost report representing the increase or decrease in those resources which have not become cost, such as inventories, advances, and outstanding orders. These amounts are used to reconcile cost to obligations. In the system of accounts for the BIA the selected resources are accounted for in two categories; namely, resources on hand (current working assets) and resources on order (outstanding orders).
- 2.1.67 Chart of Accounts. A list of accounts systematically arranged, applicable to a specific activity or accounting entity, giving account names and numbers, if any. A chart of accounts, accompanied by descriptions of their use and of the general operation of the books of account, becomes a classification or manual of accounts.
- 2.1.68 Classification of Accounts. A list of accounts, systematically grouped, suitable for a particular organization, with descriptions setting forth the meaning, function, and content of each account and the relation of one to another; frequently accompanied by designs and descriptions of the records to be kept, the forms to be used in recording transactions, instructions covering their use and disposition, and the maintenance of controls. See Accounting Manual.
- 2.1.69 Clearing Account. An account used to accumulate total charges or credits for later distribution among the accounts to which such charges or credits are properly allocable.
- 2.1.70 Codification. A number or distinctive symbol attached to an account, entry, invoice, voucher, or other record or document, serving as a device for distinguishing the members of a class of items from each other and as an index. Examples: the symbolization accompanying the classification of accounts; the numbering of recurring monthly transactions so as to indicate the month and nature of the entry; the numbering of invoices or vouchers so that the number reveals the date or period of entry.
- 2.1.71 Commitment of Funds. An amount administratively earmarked for future obligations against available funds. These commitments

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must be supported by documents showing an intent to obligate funds.

- 2.1.72 Common Cost Center. Cost center under which joint or common costs, sometimes called "overhead" are accumulated. A cost center which does not produce an end service or product but which provides support to other cost centers.
- 2.1.73 Consolidated Working Fund. An account established to receive (and subsequently disburse) advance payments, pursuant to law, from other agencies or bureaus.
- 2.1.74 Construction Work in Progress. The cost of construction work accomplished up to a given date but not yet completed. (See also Work in Progress.)
- 2.1.75 Contingency Fund. A reserve established to provide funds to cover latent or unforeseen conditions not included in the estimates.
- 2.1.76 Continuing Appropriation (No Year). An appropriation that is available for incurring obligations until exhausted or until the purpose for which it was made has been accomplished, without restrictions as to a fixed period of time.
- 2.1.77 Contract Authorization. A statutory authorization under which contracts or other obligations may be entered into prior to an appropriation of funds for the payment of such obligations.
- 2.1.78 Contracting Officer. An official to whom authority has been delegated to incur obligations on behalf of the Government. See Procurement Officer.
- 2.1.79 Contributions in Aid of Construction. Cash or other assets contributed or donated to a project or an agency for the purpose of financing wholly or in part extensions of facilities.
- 2.1.80 Controlling Account. An account, usually kept in the General Ledger, which receives the aggregates of the debit and the credit postings to a number of identical, similar, or related accounts called "subsidiary accounts," so that the balance equals the aggregate of the balances in these accounts. This serves as a check upon the mathematical accuracy of the detail ledger postings and frees the control ledger of a mass of detail.

- 2.1.81 Cost. The use or application of goods and services, regardless of when ordered or received. When the term is used in connection with current operations it is referred to as Current Operating Cost; when used in connection with fixed and movable properties it is referred to as Capital Cost: Any unused goods, or undistributed charges are referred to as unapplied costs.
- 2.1.82 Cost Accounting. The method of accounting which provides for the assembling and recording of all the elements of cost incurred (goods and services used) to accomplish a purpose, to carry on an activity or operation, or to complete a unit of work or a specific job. In the BIA cost accounting is done by cost centers and the underlying classifications such as projects, expenses, and objects.
- 2.1.83 Cost-based Budget. A budget for each appropriation title, for which each program is stated on the basis of the value of all resources consumed or used. For operating programs the costs represent the value of goods and services used, which are considered as expenses. For capital outlay programs the cost of public works or construction will cover the value of work put in place. For loan programs the amount of the loans made represent capital outlays or Capital Costs. Under the cost-based budget all expenditures are considered as costs -- either applied or unapplied. Cost-based budgets are reconciled to "obligations incurred" by the following equation.

	Costs (Consumed or Applied)	50
+	Changes in Resources on Hand (Current Working Assets - or Unapplied Costs)	<u>+20</u>
	Expenditures for the Period	70
+	Changes in Resources on Order (Unfilled Orders and Contracts)	<u>+30</u>
	Total Charges to Appropriation (Obligations Incurred)	<u>100</u>

- 2.1.84 Cost Center. A division or sub-division of an organization. A group of people or machines or both, or a single facility and its operating force. A cost center generally has a distinct physical entity, but in many cases the group deals with

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non-physical resources, such as loans and investments, or administrative activities. A cost center is identified with organization responsibilities; its performance can be measured and its performance responsibility assigned to specific individuals. Generally, the next level in the organizational structure is a group of cost centers, which may be an activity or sub-activity. In some cases an organizational unit may have only one cost center. There are three types of cost centers, primary service, common services, and distributive and clearing.

- 2.1.85 Cost Ledger. A subsidiary record in which each job, production center, process, operation, product, or service is given a separate account to which all items entering into its costs are posted in the required detail. Such accounts should be arranged and maintained in a manner which will permit the results to be reconciled with and verified by a control account or accounts in the General Ledger.
- 2.1.86 Cost Records. All ledgers, supporting records, schedules, reports, invoices, vouchers, and other records and documents reflecting the cost of projects, jobs, production centers, processes, operations, products, or services, or the cost of any of the component parts thereof.
- 2.1.87 Cost Unit. A term used in cost accounting to designate the unit of product or service whose cost is computed. These units are selected for the purpose of comparing the actual cost with a standard cost or with actual costs of similar units produced under different circumstances, or at different places and times. See also Unit Cost and Work Unit.
- 2.1.88 Current Authorization. This is an authorization of funds enacted by Congress in or immediately preceding the current fiscal year.
- 2.1.89 Current Budget. The budget in force during the current fiscal year.
- 2.1.90 Current Expenditure. An expenditure covering an operating cost for the current period, or for acquiring a current working asset, such as for stores, advances, or any prepaid expenses.
- 2.1.91 Current Working Assets. The amount of assets currently available, other than Funds with Treasury, such as inventories, travel and other advances, prepaid expenses, and deferred charges, which are available for carrying on the activities of an appropriation.

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These are also referred to as "Selected Resources on Hand," and are a part of the selected resources items used in the budget presentation. See BOB Circular A-11, Section 32.3 Application of Cost Concepts.

- 2.1.92 Current Year. The period beginning July 1 last through June 30. It refers to the fiscal year in which operations are actually taking place.
- 2.1.93 Definite Authorization. A definite authorization is one the amount of which is stated as a specific sum at the time the authorization is made (whether in an appropriation act or other law.)
- 2.1.94 Deferred Debits. Expenditures which are not chargeable to the period in which made, but are carried on the asset side of the balance sheet pending amortization or other disposition.
- 2.1.95 Deferred Credits. Credit balances or items which will be spread over the following accounting periods as an addition to income. Collections made in advance represent an example of the latter.
- 2.1.96 Deobligation. The cancellation of an obligation (e.g., a purchase order for supplies), thereby releasing to an unobligated balance funds previously reserved.
- 2.1.97 Deposit.
- A. Money placed with a bank, the Treasury of the United States or other institution, or with a person, either as a general deposit subject to check or as a special deposit made for some specified purpose.
 - B. Securities lodged with a banking or other institution or with a person for some particular purpose.
 - C. Sums deposited by customers for electric meter charges and guarantees, water, etc., and by contractors and others to accompany and guarantee their bids.
- 2.1.98 Deposit Fund. A fund established to account for receipts that are either held in suspense temporarily and later refunded or paid into some other fund of the Government (formerly referred to as

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special deposits), or held by the Government as banker or agent for others and paid out at the direction of the owner or administrator (such as Individual Indian Monies). Such funds are not available for paying salaries, expenses, or other expenditures of the Government.

- 2.1.99 Deposit in Transit. The amount of cash transmitted to a depository for which an accomplished Certificate of Deposit has not been received.
- 2.1.100 Depository. A financial institution with which funds are deposited.
- 2.1.101 Depreciation. The loss in service value of physical plant or equipment not restored by current maintenance and incurred in connection with the consumption or prospective retirement in the course of service from causes which are known to be in current operation. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence and changes in demand and requirement of public authorities.
- 2.1.102 Designated Accounting Office. Any office officially designated by the Bureau as an Accounting Office.
- 2.1.103 Direct Cost. The cost of any good or service that contributes to and is readily ascribable to the output of a cost center, and any other cost incurred by the cost center being regarded as a fixed or period cost.
- 2.1.104 Direct Costing. The process of assigning costs as they are incurred to a cost center, either primary service, common service, or distributive and clearing. The direct costing is not a complete costing plan in itself, but provides the framework for many types of cost findings and cost analysis.
- 2.1.105 Direct Labor. Labor directly expended or applied in productive operations as distinguished from overhead or labor not directly connected with a productive process.
- 2.1.106 Direct Materials and Supplies. Materials and supplies which can be identified with a particular product or service, the costs of which are charged directly to it.

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- 2.1.107 Disbursements. The amount of expenditure checks issued and cash payments made, net of refunds received. Disbursements shall include all advances, including travel advances. They shall exclude amounts of non-expenditure documents which are issued for the purpose of accomplishing transfers, as defined herein. Net disbursements represent gross disbursements less collections credited to the account and acknowledged by a disbursing office or depository bank.
- 2.1.108 Disbursing Officer. An officer authorized to make cash payments or draw checks on the Treasurer of the United States or other authorized depository in payment of obligations of the United States, and to collect and deposit public moneys to his credit, such as a Regional Disbursing Officer of the Treasury, or an Indian Service Special Disbursing Agent.
- 2.1.109 Distributive Cost Center. A cost center under which current working assets, such as inventories, travel advances and other advances, and prepaid expenses, are accounted for until used or expired. The charges to distributive cost centers are transferred to the using cost centers and become a part of the responsible cost of the benefiting centers. The difference between the charges to these accounts and the credits (the transfers to the primary and common cost centers) represent the Changes in Resources on Hand and provide an automatic reconciliation between cost (goods and services used) and the accrued expenditures (goods and services acquired).
- 2.1.110 Double Entry. A system of bookkeeping which requires, for every entry made to the debit side of an account or accounts, an entry for the corresponding amount or amounts to the credit side of another account or accounts. Double-entry accounting involves the maintaining of accounts for (1) assets and other resources, (2) liabilities, other credits and the net equity, and (3) the revenues and expenditures.

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- 2.1.111 Employment Ceiling. A limitation reflecting the number of employees permitted on the rolls at a given time.
- 2.1.112 Entry. (1) The record of a financial transaction in its appropriate book of account, (2) The act of recording a transaction in the books of accounts.
- 2.2.113 Equipment. Physical property of a more or less permanent nature, ordinarily useful in carrying on operations, other than land, buildings, or improvements to either of them. Examples are: machinery, tools, trucks, cars, ships, furniture, and furnishings.
- 2.1.114 Estimated Cost. A calculated amount as distinguished from an actual outlay, based upon prior cost experience, prevailing wages and prices, and anticipated future conditions, for the purpose of budgetary control or reimbursement.
- 2.1.115 Exception. This term has two meanings:
- A. A qualification by an auditor in his report, in dictating a limitation as to the scope of his audit or disagreement with or doubt concerning an item of a financial statement to which he certifies.
 - B. A written notification by the Comptroller General to a spending agency expressing disagreement or doubt concerning an item of expenditure he has examined; if the agency's subsequent explanation is unsatisfactory, a disallowance is declared, and the certifying or disbursing officer is required to recover the amount from the payee, reimburse the Treasury out of his own pocket, or seek relief from the Congress.
- 2.1.116 Execution Scheduling. The process through which each organization develops an operating program for management that reflects the detailed plan for accomplishing approved program goals and objectives and explains the manner in which resources - money and personnel - will be used to attain these ends. In the Bureau of Indian Affairs it also relates to that phase of the program management system which deals with the development of this plan.

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- 2.1.117 Exhibit: A balance sheet or other principal financial statement. Any statement or other document that accompanies or is part of a financial report. See also Schedules and Statements.
- 2.1.118 Expenditure. The incurring of a liability; or payment in cash, for the purpose of (1) acquiring an asset or a service, (2) making a contribution, or gift, for which the BIA may not receive an asset or a service, or the settling of a claim or loss. It also means the total definite outgo from an appropriation, except transfers out and lapses. It includes travel and other advances. It does not include encumbrances, outstanding orders (obligations) or commitments. The term expenditure as used in this manual represents accrued expenditures.

The BOB Circular A-11 defines expenditures as follows:
"Expenditures will be reported and estimated on a 'checks-issued, net' basis. This means gross payment of obligations (issuance of checks) less refunds (and reimbursements where applicable) received and credited to the appropriation or fund accounts. Expenditure figures for the past year must agree with expenditures which will be reported in the Treasury Department's Combined Statement."

The above explanation includes all expenditures, including travel and other advances. It is on the cash basis, and is the same as disbursements defined therein.

- 2.1.119 Expenditure Refund. A recovery of previous expenditures erroneously made which is entered in the accounts as a reduction of expenditures. This term does not include refunds identified with lapsed appropriation, such refunds being credited to miscellaneous receipts.
- 2.1.120 Expense. An expired cost. Any item or class of cost or loss from carrying on a cost center or activity; a present or past expenditure defraying a current operating cost or loss; an item of capital expenditure written down or off. It is used to measure the input of a cost center in terms of work tasks. It may be a sub-division of the object classes, or a grouping of different objects, or sub-objects. The purpose of this classification is to assist supervisors in planning, and in making

estimates for input work. This classification indicates the purpose for which the cost was incurred, or the reason for the changes. As contrasted with the object class, this indicates why the cost was incurred, and not just the nature of what was used.

- 2.1.121 Explosion Report. A report for which data, as originally gathered and recorded, according to the legal and accounting requirements, is re-arranged for special presentation or analytic purpose, but the data is traceable to original input and controlled totals. Explosion reports may cut across organizational lines, legal fund entities, and appropriations. The reports may be presented under concepts different from those used in presenting accounting reports, such as economic concepts.
- 2.1.122 Finance Office. The organizational unit responsible for maintaining accounting records, including the Allotment Ledger, General Ledger, and Work Order Ledger and which transmits Disbursement Vouchers and Schedules of Collections direct to the Disbursing Office. Generally relates to the Area Offices.
- 2.1.123 Finance Officer. The employee in charge of a Finance Office.
- 2.1.124 Financial Plan. A comprehensive plan which limits obligations, expenditures or costs, within the object classifications, activities, and programs to those set forth in an approved apportionment in order to achieve a balance in fund requirements.
- 2.1.125 Fiscal Year. The period beginning July 1 and ending June 30 of the following calendar year. The fiscal year is designated by the calendar year in which it ends. A twelve-month period selected for accounting purposes. The fiscal year for the Bureau of Indian Affairs begins on July 1 and ends on June 30 of the following calendar year, bearing the date of the latter year.
- A. Prior Year (Abbreviated: 19PY). The fiscal year immediately preceding the Current Year.
 - B. Budget Year (Abbreviated: 19BY). The fiscal year for which budget estimates are submitted.
 - C. Current Year (Abbreviated: 19CY). The fiscal year in progress, immediately preceding the Budget Year.

- 2.1.126 Five-Year Plan. A projection of programs and funding requirements under existing and proposed legislation for the budget year and the four years following it.
- 2.1.127 Fixed Assets. Assets of a long-term character which are intended to continue to be held or used, such as land, buildings, machinery, furniture, and other equipment.
- 2.1.128 Fixed Budget. A budget providing firm allowances for individual activities, or firm allowances that do not vary with the volume of production or other overall measure of work done.
- 2.1.129 Fixtures. Attachments to buildings which are not intended to be removed and which can not be removed without damage to the buildings.
- 2.1.130 Flexible Budget. A budget containing alternative allowances to organizational subdivisions based on varying rates of production or other measures of activity; a budget subject to change as operations proceed.
- 2.1.131 Force Account. A term used to describe the method whereby the Bureau carries on a construction or major improvement program by using its own employees instead of the services of private contractors.
- 2.1.132 Forfeiture. The automatic loss of cash or other property as a punishment for not complying with legal provisions and as compensation for the resulting damages or losses.
- 2.1.133 Function. A group of services aimed at accomplishing a certain purpose or end. For budget and accounting purposes, a major element of an integrated program in terms of a clearly defined type of operation. See Activity.
- 2.1.134 Functional Control. The power and duty to prescribe policies and procedures, to require compliance therewith, and to review or audit activities within the area of responsibility.
- 2.1.135 Fund. Funds as used by the Bureau are divided into five categories, defined as follows:

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- A. The General Fund is the fund into which all receipts of the United States Government are covered, except those from specific sources required by law to be covered into other designated funds, and from which appropriations are made by Congress to carry on the general and ordinary operations of the Government.
- B. A Special Fund is a fund into which are deposited receipts of the United States Government from specific sources designated by law and which are restricted to use, or expenditure, for the purposes designated by law in respect to such fund.
- C. A Revolving Fund is a fund established by law either:
- (1) To finance a continuing cycle of operations, with receipts derived from such operations available in their entirety for use by the fund without further action by Congress; or
 - (2) To facilitate accounting for an operation which is financed by two or more appropriations of an agency.
- D. A Deposit Fund is a fund established to account for receipts that are either:
- (1) Held in suspense, temporarily, and later refunded or paid into some other fund of the Government; or
 - (2) Held by the Government as banker or agent for others.
- E. A Trust Fund is a fund into which are deposited receipts which are accepted and administered in a trust capacity, and which can be expended, used, or invested only in accordance with the conditions of the trust or trust agreement.

2.1.136 Funded Costs. The use of an appropriation and other current working assets, (selected resources on hand) such as inventories, advances and prepaid expenses. The other current assets include those procured in prior years by the same appropriation (title) as well as amounts received without reimbursement for direct

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use by the activities of the appropriation. As used in this manual the term "funded" has basically the same meaning as used in commercial accounting for a Sources and Application of Fund Statement. In general, funded costs are related to appropriation expenditures as follows:

	Funded Costs	\$100
+	Changes in Current Working Assets	+10
-	Goods and Services Transferred for Direct use by the Activities of the Appropriation	-20
	Appropriation Expenditures	\$ 90

2.1.137 Funding. Obtaining necessary funds for a program, and administering the funds to carry out the objectives of the program.

2.1.138 General Fund. The fund within the Treasury Department into which are deposited all receipts of the United States Government, except those from specific sources required by law to be deposited into other designated funds.

2.1.139 General Ledger. A book or other device which contains the accounts necessary to reflect in summary or in detail the financial operations and the financial condition of a governmental unit.

2.1.140 Goals. The specific end results a particular organizational component of the BIA is expected to achieve, usually over a period of years. They are set forth in the planning phase of the program management system and the multi-year program and financial plans submitted to the Bureau of the Budget.

2.1.141 Grants. Amounts paid States, tribes, associations, or individuals under approved grant programs.

2.1.142 Illustration. A pro-forma financial or statistical statement or schedule, a chart, a graph, or other device to explain or describe in detail the subject matter referred to in the accompanying narrative.

2.1.143 Impounded Funds. Funds available pursuant to provision of law but administratively withheld for purposes of savings, reappropriation, or deferred expenditures.

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- 2.1.144 Imprest Funds. A cash fund from which payments are made at the time purchase transactions occur or to provide reimbursement for taxi fares or small supply purchases incurred by an authorized individual.
- 2.1.145 Imprest System. A system for handling minor disbursements whereby a fixed amount of money, designated as Petty Cash, is set aside for this purpose. Disbursements are made from time to time as needed. At certain intervals a report of the amount disbursed is rendered and Petty Cash is replenished for the amount of the disbursements, ordinarily by check drawn on the appropriations or funds from which the items are payable. The total of cash on hand plus unreplenished disbursements must always equal the fixed Petty Cash Account.
- 2.1.146 Improvements. Buildings, other structures, and other attachments or annexations to land which are intended to remain so attached or annexed, such as sidewalks, trees, drives, tunnels, drains, and sewers.
- 2.1.147 Income Statement. A statement setting forth the income earned, the expenses incurred, and the excess or deficiency of income compared with the expenses, in the operation of a project or activity.
- 2.1.148 Indefinite Authorization. The amount is not stated as a specific sum when the authorization is made, but is determinable only at some future date, such as an appropriation for all or part of the receipts from a certain source.
- 2.1.149 Indirect Labor. Labor which can not be directly identified with the specific furtherance of any construction, operation, or productive process, but which, nevertheless, does further general operations.
- 2.1.150 Indirect Cost. An item of cost (or the aggregate thereof) which is incurred for joint objectives and consequently cannot be specifically identified with a single final objective. In the BIA all indirect costs are accounted for in the common service cost centers or in the distributive cost centers and clearing accounts.
- 2.1.151 Input. The cost of the resources (goods and services) used in the operations of an organizational unit. As used in computer

operations, it is information data, or instructions going into the computer system.

- 2.1.152 Internal Control. A plan or organization under which employees' duties are so arranged and records and procedures so designed as to make it possible to exercise effective accounting control over assets, liabilities, revenues, and expenditures. Under such a system the employees' work is subdivided so that no one employee performs a complete cycle of operations. For instance, an employee handling cash would not post the accounts receivable records. The procedures to be followed are definitely prescribed and require proper authorizations by designated officials for all action to be taken.
- 2.1.153 Intragovernmental Fund. A type of revolving fund which derives its receipts primarily from other funds and appropriations.
- 2.1.154 Inventory. A detail list showing quantities, descriptions, and values of property. It may also include units of measure and unit prices. The term is often confined to consumable materials, but may also cover movable property.
- 2.1.155 Investments. Securities, including those issued by a governmental unit, or other property in which money is invested either temporarily or permanently.
- 2.1.156 Job Account. An account pertaining either to an operation which occurs regularly (a "standing order"), or to a specific piece of work (a "job order"), showing all charges for material and labor used and other expenses incurred, together with any allowances or other credits.
- 2.1.157 Journal Voucher. A voucher provided for the recording of certain transactions or information in place of or supplementary to the journals or registers. The journal voucher usually contains an entry or entries, explanations, references to documentary evidence supporting the entry or entries, and the signature or initials of one or more properly authorized officials.
- 2.1.158 Justification. An explanation in support of the budget estimates. They can consist of narrative statements, statistical and geographical presentations, etc. which outline the

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objectives and plans for achieving the objectives of an operating program.

- 2.1.159 Language Sheet. A term employed in Federal Government Agencies to designate the administrative draft of the narrative of an appropriation bill accompanying the submission of an Agency's budget to the Congress.
- 2.1.160 Lapse. As applied to appropriations, this term denotes the automatic termination of an appropriation upon the expiration of the term or fulfillment of the purposes. As applied to Personal Services, the term denotes savings due to delay in filling vacancies, lag in recruitment for new positions, part-time employment, and absences without pay, offset by terminal leave payments.
- 2.1.161 Ledger. Any medium for collecting financial information under separate account titles.
- 2.1.162 Liabilities. The amounts owed for goods and services received, other assets acquired, and performance accepted. This includes amounts administratively approved for payment of pensions, awards, and other indebtedness not involving the furnishing of goods and services.
- 2.1.163 Limitation. A statutory restriction within an appropriation or other authorization or fund which establishes the maximum amount which may be used for specified purposes.
- 2.1.164 Liquidation. The process through which an obligation is disbursed or paid.
- 2.1.165 Look-Up Table. A listing or table which relates the uniform accounting code numbers with the internal machine numbers, together with a description of the accounting classifications used. See definitions for the uniform accounting code and the internal machine code.
- 2.1.166 Maintenance. The upkeep necessary for efficient operation of physical properties.
- 2.1.167 Management Fund. A working fund authorized by law to facilitate accounting for and administration of intragovernmental activities

(other than a continuing cycle of operations) which are financed by two or more appropriations.

- 2.1.168 Mandatory Items. Refers to those items which are instituted or controlled by established legislation or policy, or a modification of the time cycle (number of days in a fiscal year). Changes, in terms of cost requirements, usually occur to one or more of them in any particular fiscal year.
- 2.1.169 Man-Year. The unit of work performed by one employee in one-year in one position. It is used as a basis of wages and cost funding, and computed at 2,080 hours per year.
- 2.1.170 Mission. That which is to be accomplished, as directed by competent higher authority. It is the primary target or a basic plan of action for an activity.
- 2.1.171 Multiple Year Appropriation. An appropriation which is available for incurring obligations for a definite period in excess of one fiscal year. Moreover, it is available for the payment of such obligations for two years thereafter.
- 2.1.172 Net Book Value. When applied to property, the book value, less related depreciation and replacement reserves.
- 2.1.173 Net Income. The excess of income over all expenses deductible therefrom.
- 2.1.174 New Obligation Authority. The sum of new authorizations to incur obligations. New obligational authority includes appropriations other than appropriations to liquidate contract authorizations, authorizations to expend from debit receipts, and reappropriations or reauthorizations of unobligated balances of these authorizations.
- A. Definite Authorization. One the amount of which is stated as a specific sum at the time the authorization is made (whether in an appropriation act or other law).
- B. Indefinite Authorization. One the amount of which is not stated as a specific sum when the authorization is made, but is determinable only at some future date, such as an

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appropriation of all or part of the receipts from a certain source.

- C. Permanent Authorization. One automatically becoming available by virtue of standing legislation, without current action by Congress.
- D. Current Authorization. One enacted by Congress in or immediately preceding the fiscal year.
- 2.1.175 Nonappropriation Transfer. The transfers of costs only from one project, activity, or governmental agency to another, where funds are not involved in the settlement of the transfer. Such transfers do not affect the status of unexpended appropriations or allotments.
- 2.1.176 Object Classification. An analysis of funds or monies categorized according to the type or nature of services, articles, or other items involved, e.g., personal services, supplies and materials, and equipment.
- 2.1.177 Objective. The specific statement of organized work to be undertaken to accomplish planning goals during a fiscal year.
- 2.1.178 Obligated Balance. The portion of the unexpended balance of an account reflecting an amount equal to outstanding obligations applicable to that particular account.
- 2.1.179 Obligation. Obligations include orders placed, payrolls, travel authorizations, etc., and all other transactions which legally reserve the appropriation for expenditure.
- 2.1.180 Obligational Authority. Approval to incur obligations for specified purposes and to make expenditures within a specified amount. (This includes enacted appropriations, trust fund limitations, carry-over balances, etc.)
- 2.1.181 Obligations Incurred. Obligations that will require future payment of money for orders placed, contracts awarded, and services performed, supported by executed documents during a given period. The net cumulative obligations for a period equals the accrued expenditures plus outstanding orders at the end of

the period minus the outstanding orders at the beginning of the period.

Amounts of orders placed, contracts awarded, services received, and similar transactions during a given period requiring disbursement of money. Such amounts shall include disbursements not preceded by the recording of obligations, and shall reflect adjustments for differences between obligations and actual disbursements.

- 2.1.182 Operating Budget. A budget, currently revised, which is the basis of budget authorization, funding, and financial control of obligations, costs, and expenditures, in the execution of a program or programs. It is an internal budget and it is to be distinguished from the President's budget which is used to justify appropriation requests. A cost-based budget for a responsible cost center.
- 2.1.183 Operating Expenses. Expenses necessary to the maintenance of the Bureau activities, the rendering of services for which operated, the production and disposition of products, and the collection of the revenue.
- 2.1.184 Operating Program. The major organizational components of the Bureau of Indian Affairs, grouping related work areas and functions, and concentrating responsibility for their accomplishment and execution.
- 2.1.185 Operating Statement. A statement summarizing the financial operations of an activity for an accounting period, as contrasted with a balance sheet, which shows financial condition at a given moment of time.
- 2.1.186 Operating Unit. One or a number of similar units of an activity, such as a school or hospital, or a group of similar units, to which planning, responsibility, and authority have been delegated, and for which operating statements are prepared.
- 2.1.187 Organizational Unit. Any administrative subdivision of the Bureau, especially one charged with carrying on one or more functions or activities.

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- 2.1.188 Other Benefits. Costs to an appropriation relating to the Government's share of employee benefits, e.g., retirement, FICA, insurance, and health benefits.
- 2.1.189 Output. The cost of the goods or services produced in the operations of an organizational unit. As used in computer operations, production of the computer or EAM routine or system; a report, a tape, cards, etc.
- 2.1.190 Over-Obligation. The incurring of obligations in excess of funds received through an allotment or other devices.
- 2.1.191 Overhead. All those elements of indirect cost necessary in the production of an article or the performance of a service, which are of such nature that the amount applicable to each unit of product or service cannot be determined readily or accurately, and are usually, therefore, allocated on some equitable basis. Generally they relate to those objects of expenditure which do not become an integral part of the finished product or service, such as rent, light, supplies, management, supervision, etc.
- 2.1.192 Part-Time Employee. One who works on a prearranged schedule of hours or days or work which is less than the prescribed hours or days for full time employees in the same group or class. An employee in this category may be filling either a permanent or a temporary position.
- 2.1.193 Past Year. The period from July 1 through June 30 (past). It refers to the fiscal year immediately preceding the current fiscal year.
- 2.1.194 Performance Budget. A budget based on program functions and projects which would focus attention on the general character and relative importance of the work to be done or the services to be rendered, rather than on the things to be acquired, such as personal services, supplies, etc.
- 2.1.195 Permanent Authorization. This type is one which automatically becomes available by virtue of standing legislation, without current action by Congress.
- 2.1.196 Permanent Position. One established without time limit or for a limited period of more than a year, or which has been

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occupied for a year or more, regardless of the intent when it was established.

- 2.1.197 Perpetual Inventory. A system whereby the inventory by units of property at any date may be obtained directly from the records without resorting to an actual physical count. An account is provided for each item or group of items to be inventoried, so devised as to show the balance on hand at any date, subsequent additions and withdrawals, and the resulting balance in units and frequently also in value.
- 2.1.198 Personnel Costs. The net cost to an appropriation for salaries of employees regardless of type of appointment during a given period.
- 2.1.199 Planning. The process of translating the broad legislative, political, social, economic and administrative requirements of the Bureau of Indian Affairs into broad courses of desired action moving toward identifiable end results.
- 2.1.200 Position Management. A plan designed to achieve and maintain position structures which provide an optimum balance among the many complex and divergent considerations concerning effectiveness. It includes the evaluation of the need for positions and required skills and knowledge; and the organization, grouping and assignment of duties and responsibilities among all positions.
- 2.1.201 Posting. The act of transferring to an account in a ledger the data, either detailed or summarized, contained in a book or document of original entry.
- 2.1.202 Prepaid Expenses. Expenditures that have been made but which are entered on the records for future benefits or use, such as prepaid rent, insurance, etc.
- 2.1.203 Procurement Officer. The official responsible for placing the Purchase Orders and other types of purchase contracts.
- 2.1.204 Pro Forma. For form's sake; an indication of form; an example. The term is used in conjunction with a noun to denote merely a sample form, document, statement, certificate, or presentation, the contents of which may be either in whole or in part hypothetical, actual facts, estimates, or proposals.

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- 2.1.205 Program. A broad grouping of the maximum number of activities and organizationally-related work areas.
- 2.1.206 Program Document. The publication which sets forth the details, i.e., objectives, time-placing, cost, and manpower levels for the program.
- 2.1.207 Program Factors. Broad indicators of the level of program activity; accomplishment, or progress. They serve as a basis for appraisal of program accomplishment or progress in review and analysis.
- 2.1.208 Programming. The organized expression of specific work to be undertaken or things to be done to achieve the desired end results of planning within stated time sequences and resources requirements.
- 2.1.209 Project. A plan of work, job, assignment, or task, for which a cost center is responsible.
- 2.1.210 Property Accountability. The responsibility for observing and reporting on the existence, location, use, and condition of assets, particularly mobile fixed assets, and also small tools and other items which for any of various reasons have not been capitalized.
- 2.1.211 Property Retired. As applied to plant, any property which has been removed, sold, abandoned, destroyed, or which for any cause has been disposed of.
- 2.1.212 Proprietary Accounts. Those accounts which show actual financial condition and results from operations such as assets, liabilities, reserves, surplus, revenues, and expenditures, as distinguished from budgetary accounts.
- 2.1.213 Public Enterprise Fund. A type of revolving fund which derives its receipts primarily from sources outside the Government.
- 2.1.214 Purchase Order. A document authorizing the vendor to deliver to the issuer described merchandise or materials at a specified price. Upon acceptance by a vendor, a purchase order becomes a contract.
- 2.1.215 Reappropriation. A statutory authorization which continues availability of funds, either for the same or for a different

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purpose. All or part of the unobligated balance of authorizations which were made for current year operations, and which would otherwise expire, are kept available for obligation purposes.

- 2.1.216 Receipts. The term indicates cash received, unless otherwise qualified.
- 2.1.217 Reciprocal Accounts. Offset accounts between accounting entities or levels of control which contain the same accounting transactions, the balance representing a charge or debit on one set of accounts, and a credit on the other.
- 2.1.218 Recoverable Expenditure. An expenditure made for or on behalf of another governmental unit, fund, or Agency, or for a private individual, firm, or corporation, which will subsequently be recovered in cash or its equivalent.
- 2.1.219 Refund of Receipts. A disbursement which returns money previously collected.
- 2.1.220 Refunds. Recoveries of advances and amounts disbursed in error, which are for credit to an appropriation or fund account. These items, such as recovery of a salary over-payment or return of a travel advance, shall not be included as reimbursement. Refunds shall also include credits to an appropriation or fund account due to accounting adjustments related to obligations or expenditures, where such procedure is permitted by law and regulation.
- An amount returned to an account because of over-payment or an over collection. These are treated as reductions of disbursements.
- 2.1.221 Register. A record for the consecutive entry of a certain class of events, documents, or transactions, with a proper notation of all the required particulars.
- 2.1.222 Reimbursement. An expenditure made for or on behalf of another agency, fund or appropriation, a private individual, or a private firm or corporation, which subsequently will be recovered in cash or its equivalent.

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Amounts collected or to be collected for commodities, work, or services furnished or to be furnished to another appropriation or fund account. Amounts to be collected include accounts receivable, reimbursements earned but not billed, and amounts anticipated for the remainder of the fiscal year. They may also include interagency orders accepted and on hand, for which delivery has not been made, to the extent that the order is a valid obligation of the ordering agency and the collection will be credited to the appropriation being reported.

- 2.1.223 Related Funds. Funds of a similar character which are brought together for administrative and reporting purposes; for example: Indian Tribal Funds, and Deposits With Indian Service Special Disbursing Agents.
- 2.1.224 Replacing or Replacement. When not otherwise indicated in the context, the construction or installation of plant in place of property retired, together with the removal of the property retired.
- 2.1.225 Reports. Reviews, explanations, descriptions, and other narrative presentations supplementing financial statements or setting forth results of surveys or investigations of activities.
- 2.1.226 Reprogramming. A change in the authorized scope of an activity, project, program, or object classification. It represents change in operating levels between that reflected on the apportionment and subsequent requests, allocations, allotments, etc.
- 2.1.227 Requisition. A demand or request, from a unit of the organization to the Property and Supply officer for specified articles or services.
- 2.1.228 Reserves. Portions of appropriations, contract authorizations or other funds, set aside by the Bureau of the Budget or the Bureau of Indian Affairs for contingencies or to reflect savings that are made possible by changes in requirements, greater efficiency of operations, or other developments.
- 2.1.229 Responsibility Costing. A method of accounting in which costs are identified with persons and organizations, rather than with

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products, end services, or budget activities. The amount for the budget activities and PPB categories are obtained by pyramiding, regrouping, and in some cases, by allocating certain costs.

- 2.1.230 Restoration. Amount previously written off which is returned to the account and made available for disbursement.
- 2.1.231 Revenue Expenditure. Expenditures for current expenses charged against operations; a term used in contrast to Capital Expenditure.
- 2.1.232 Revolving Fund. A fund authorized by specific provisions of law to finance a continuing cycle of operations, with receipts derived from such operations available in their entirety for use by the fund without further action by Congress. Includes Management Funds, whereby receipts are primarily from sources outside the Government, and Intragovernmental Funds, whereby receipts are primarily from appropriation funds.
- 2.1.233 Salvage Value. The amount received for property retired, less any expenses incurred in connection with the sale or in preparing the property for sale; or, if retained, the amount at which the material recoverable is chargeable to Stores, or other appropriate account.
- 2.1.234 Savings. The unobligated amounts from fund resources that are returned to Treasury at year end as the result of planned or unplanned reduction in program costs.
- 2.1.235 Schedules. The explanatory or supplementary statements that accompany the balance sheet or other principal statement periodically prepared from the books; also, for summarizing collections, disbursements, and other accountable transactions generally to appropriation or receipt account level.
- 2.1.236 Selected Resources. Refers to those resources which enter into obligations before they become costs. They include (1) current working assets, such as supplies and materials not yet consumed, advances, prepayments and other disbursements not yet earned by the recipient, and (2) unpaid undelivered orders (goods and services on order but neither received nor paid for).

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- 2.1.237 Selected Working Capital. The sum of those current assets, other than undisbursed balances, less the sum of current liabilities, that are available as a source of financing accrued expenditures. Such items will agree with the concepts used in the budget submissions and will usually consist primarily of accounts receivable and cash in transit, less accounts payable and accrued liabilities.
- 2.1.238 Site Audit. An audit conducted on the premises of the organization under examination.
- 2.1.239 Special Fund. A fund established to account for receipts of the Government which are set aside by law for a specific purpose, but are not generated from a cycle of operations for which there is continuing authority to re-use such receipts.
- 2.1.240 Split Accounts. An account representing a sub-classification of a real account; an accessory, or a decimally-indicated account. It is used to show the cumulative transaction(s) of the account, such as "Net payment" from Account 101 Appropriated Funds With Treasury for the preparation of SF 224.
- 2.1.241 Staffing Pattern. An itemized listing of positions and people for authorized budgeted activities covering the current year appropriation structure.
- 2.1.242 Statements. In accounting, formal written presentations setting forth financial information. The term includes exhibits, schedules, and written reports. See Exhibit, Reports, and Schedules.
- 2.1.243 Subactivity. The second major budgetary segment of an appropriation item. As an example, under the appropriation "Education and Welfare Services," there are four activities, one of which is "Educational assistance, facilities and services." Under this activity there are five subactivities as follows:
- Assistance to pupils in non-Federal schools
 - Federal facilities
 - Special services
 - Summer programs
 - Adult education
- 2.1.244 Subsidiary Account. One of a group of related accounts the aggregate balances of which equal the balance in a related

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control account and which support in detail the accounting transactions posted in summary to the control account.

- 2.1.245 Successor Account. An account established for the payment of obligations applicable to appropriations for the same general purposes which have lapsed or have been discontinued. Such an appropriation is available indefinitely for the payment of obligations chargeable to any of its predecessor accounts.
- 2.1.246 Supplemental Appropriation. An additional authorization by an act of Congress to fund expanded current year operations resulting from new or amended legislation or unforeseen developments which are beyond the scope of the appropriation level.
- 2.1.247 Symbolization. The assignment of letters, numbers, or other marks or characters to the ordinary titles of the ledger accounts. Each letter or number should have the same meaning wherever used and should be selected with great care so that it will indicate immediately and with certainty the title of the account as well as its place in the classification. The use of proper symbols saves much time and space in making the book record and adds to its precision and accuracy.
- 2.1.248 Symbol Number. A number or group of numbers assigned to an account title which identifies the account with a particular classification.
- 2.1.249 Temporary Position. One established for a limited period of less than a year.
- 2.1.250 Transfer, Comparative. Net amount of actual obligations incurred in the past year and an estimate of net obligations to be incurred in the current year under an appropriation title, but included in the total obligations of another appropriation title for comparability purposes between the past, current, and budget years of that title when a transfer in the estimates has been accomplished or proposed between appropriation accounts.
- 2.1.251 Transfer in the Estimates. A proposal that an activity currently appropriated for under one agency or appropriation title shall thereafter be appropriated for under another agency or appropriation title.

- 2.1.252 Trial Balance. A list of the balances of the accounts in a ledger kept by double entry, generally with the debits and credits shown separately. If the totals of the debit and credit columns are equal or their net balances agree with a controlling account, the ledger from which the figures are taken is said to be in balance.
- 2.1.253 Trust Fund. A fund established to account for receipts which are held in trust for use in carrying out specific purposes and programs in accordance with an agreement or statute.
- 2.1.254 Turnover. Is the actual placement and replacement of people in and out of authorized positions by virtue of resignations, promotions, retirements, transfers, and similar personnel actions.
- 2.1.255 Unallotted Appropriation. The balance of an appropriation available for allotment for purposes authorized within an appropriation act.
- 2.1.256 Unavailable Receipts. Receipts which at the time of collection are not appropriated, and receipts which are not immediately available for expenditure because:
- A. Further action by the Congress is required or Congressional limitation has been established as to the amount available for expenditure;
 - B. Amounts credited to receipt accounts are later to be cleared in whole or in part to other receipt accounts before appropriation warrant action is taken; or,
 - C. The amounts of receipts are appropriated or made available to an agency other than the one making collection.
- 2.1.257 Undelivered Orders. The amount of orders for goods and services outstanding for which the liability has not yet accrued. This amount includes any orders for goods or services for which advance payment has been made, but which have not yet been received. They represent resources on order.
- 2.1.258 Undisbursed Balance. Amount of appropriations, or other funds or authorizations remaining after deducting disbursements.

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This balance consists of cash with the Treasury (and on hand in banks when included in Treasury reports) and investments in United States Government securities.

- 2.1.259 Unexpended Balance of Appropriation. The amount of appropriations not yet expended, consisting of Unallotted Appropriations plus Unobligated Allotments plus Unliquidated Obligations.
- 2.1.260 Unexpired Appropriation Account. One which is available for incurring obligations.
- 2.1.261 Unfunded Contract Authorizations. The amount of contract authorization outstanding for which appropriations have not been made.
- 2.1.262 Unfunded Costs. Charges not requiring the use of an appropriation or current working assets such as inventories, advances and prepaid expenses. Unfunded Costs includes charges for depreciation, annual leave, and other similar costs.
- 2.1.263 Uniform Accounting Code. A group of numbers, assigned to a detailed operating account which is identified with classifications for funds and the management accounts.
- 2.1.264 Unit Costs. Represents the relation of the volume of work to the funds required to produce a unit of work.
- 2.1.265 Units of Property. Those items of plant which, when retired with or without replacement, are accounted for by crediting the book cost thereof to the plant account in which included.
- 2.1.266 Unliquidated Obligations. Contingent liabilities for contracts and orders outstanding.
- 2.1.267 Unobligated Balance. The sum remaining after deducting the cumulative expenditures and the outstanding orders from either apportionments or amounts available for obligation.
- 2.1.268 Unobligated Balance Lapsing. Amount available for obligation during the year which ceased to be available during or at the end of the fiscal year.
- 2.1.269 Unpaid Obligations, Net. Obligations incurred for which disbursements have not been made, less collectible reimbursements receivable, collectible refunds receivable, and unfilled

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interagency orders on hand which constitute a valid obligation of the ordering account and for which the reimbursement will be credited to the account being reported. This is a specialized term used in connection with reporting on the status of funds (SF 133).

- 2.1.270 Vacancy. An unoccupied, financeable position within the employment ceiling for which candidates are being sought.
- 2.1.271 Voucher. A document which evidences the propriety of transactions and usually indicates the accounts in which they are to be recorded.
- A. A document which serves as evidence of the disbursement of cash. Examples: a receipted bill; a canceled check; a petty cash receipt; the carbon copy of a check.
 - B. A document serving as evidence of the authority to disburse cash. Examples: an approved invoice from a supplier; a payroll.
 - C. The written evidence of a business or accounting transaction sometimes contained in a single document without attachments. Example: a journal voucher.
 - D. A form used with a voucher system, to which bills, receipts, and other evidences of indebtedness are often attached, showing the authority for the payment, the particulars of settlement, and other relevant detail; a disbursement voucher.
- 2.1.272 Warrants. Official documents, which, pursuant to law, authorize money to be withdrawn or returned to the Treasury. These documents are issued by the Secretary of the Treasury and are countersigned by the Comptroller General of the United States.
- 2.1.273 Work-In Process. The cost of partially completed products manufactured or processed by the cost centers. Sometimes referred to as "work in progress" (see also "construction work in progress").
- 2.1.274 Work In Progress. See "construction work in progress" and "work in process."

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- 2.1.275 Working Capital Fund. An intragovernmental revolving fund.
- 2.1.276 Working Fund. An account established to receive and subsequently disburse advances made from other agencies or bureaus under Section 601 of the Economy Act (31 U.S.C. 686). The term does not include revolving funds as defined.
- 2.1.277 Workload. The estimate and actual numbers of items of work accomplished for a program during a given period, e.g., correspondence, contracts, payrolls, budgets, etc.
- 2.1.278 Work Order. A written order authorizing and directing the performance of a certain task, issued to the person who is to supervise the work. The information shown on the order includes: the nature and location of the job, specifications for the work to be performed, and a job or work order number, which is referred to in reporting the amount of labor, materials, and equipment used.
- 2.1.279 Work Program. A plan of the work proposed to be done during a particular period by an activity, project, or operating unit. The work program is useful both in planning and in executing the budget since it provides a basis for making cost and expenditure estimates. The program usually contains not only estimates of proposed work but may also contain data concerning work done in preceding years on which the estimates are partly based.
- 2.1.280 Work Unit. The parts into which a job or operation is subdivided for cost accounting and other purposes. See Cost Unit and Unit Cost.

2.2 Basis of Budgeting and Accounting. In planning, programming, budgeting, and accounting, the objectives are accomplished by the acquisition and use of resources which involve three bases, stages, or processes. Each of these processes affects the progress of the program, they involve budgeting, and they have financial and accounting implications. The three processes involved are:

- A. Ordering and contracting for resources (obligating).
- B. Fulfilling contractual terms by receiving and paying for resources (accruing).
- C. Using or consuming resources as needed (costing).

2.2.1 Accounting Bases. Information on the three processes is needed for different transactions or classifications, and for different purposes. The Bureau's financial management system provides for accounting on the following three bases:

A. Obligation Basis. This represents the amount of transactions as evidenced by orders issued, contracts awarded, and other actions which legally reduce the availability of an appropriation, or which reserve amounts to cover payment for such actions. Such amounts cease to be obligations when liability for payment is established, or when paid. Accounting for obligations is necessary for fund control purposes, and to comply with statutory requirements which provide that obligations may not be incurred unless there is an appropriation or fund balance available therefor at the time the obligation is created (2 GAO 10.3, 10.4). Except for the independent accounting stations, the conventional allotment account procedures have been adapted to computer operations.

B. Accrued Expenditure Basis. Accrued expenditures measure the fulfillment of contractual terms. Accrued expenditures are the charges incurred during a given period requiring the provision of funds for (1) goods and other tangible property received, (2) services performed by employees, contractors, grantees, lessors, and other payees, and (3) amounts becoming owed under programs for which no performance or current services are required (such as annuities, insurance claims, other benefit payments, and some cash grants) (2 GAO 9.2). Expenditures accrue regardless of when cash payments are made, regardless of whether invoices have been rendered, or in some cases regardless of whether goods or other tangible property have been physically received.

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(1) Contracts. Constructive receipt of goods or other tangible property, rather than the physical receipt or the passing of legal title, is the measure of the accrual in certain cases. When a contractor provides goods to the Government which he holds himself available to sell to others, the accrual occurs when physical delivery by the contractor and receipt by the Bureau takes place and title passes. However, under some contracts, such as where a contractor builds or constructs roads, buildings, or other facilities, or manufactures goods or equipment to the Government's specifications, the liability to pay for work is incurred as it is performed by the contractors rather than when deliveries are made. Under these circumstances, materials or services being acquired shall be recorded as accrued expenditures on the basis of reported performance of work, rather than as invoices are received or as disbursements are made, and a related liability shall be recognized.

C. Cost Basis. Costs represent the financial measure of resources consumed in accomplishing a specified purpose such as performing a service, carrying out an activity, or completing a unit of work or a specific project. Cost information provides a common financial denominator for the measurement and evaluation of efficiency and economy in terms of resources used in performance. Cost accounting is used by the Bureau to support the cost based budget as required by law, as well as for management and control purposes. The production and reporting of significant cost information are essential ingredients of effective financial management. Such information is needed for use in keeping costs within limits established by law, regulation, or Bureau management policies prescribed for achieving maximum efficiency and economy; in making meaningful comparisons of performance; in planning, and in the general exercise of management control.

The use of cost information in achieving the efficient use of resources places positive emphasis on the receipt of value for resources used. In turn, this emphasis results in giving greater prominence to cost aspects in the planning of operations as opposed to placing exclusive emphasis on not exceeding budgetary authorizations with a resulting lack of emphasis on value received.

(1) Cost-Finding Techniques and Analysis. Cost-finding techniques involve the production of cost data by analytical or sampling methods rather than on the basis of formal cost accounts. Because of the complexities of some operations, it is sometimes just as satisfactory, as well as more economical, to use cost-finding techniques to produce cost data needed for special purposes as to incorporate detailed cost accounting procedures into the accounting system for the purpose of obtaining such information.

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