

1 Introduction

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Introduction

Purpose

The Budget and Accounting Manual (BAM) is the official publication through which APHIS provides instructions for financial activities of APHIS. It was originally published in June 1981. The BAM provides all headquarters and field administrative personnel with uniform procedures and guidelines for performing financial management duties. The BAM was prepared by the Financial Management Division (FMD).

It's the Law! Financial Authorities Which We Must Follow

In addition to providing the necessary financial data to Agency program and financial managers, we must provide financial information to the Office of Management and Budget, the Department of the Treasury, and Congress. This information helps assure our ultimate customers – the taxpayers – that we spend their money properly and in the best interests of the people. The major financial laws with which we must comply when recording and reporting financial information are addressed below.

Execution Agency Accounting System – 31 U.S.C. 3512

This requires agency heads to establish effective systems of accounting and internal control to ensure accurate reports for management of operations, budget execution, external reporting, and effective control of agency assets.

Financial Reporting and Accounting System – 31 U.S.C. 3513

This section gives the Secretary of the Treasury and the Comptroller General the authority to establish reporting standards and requirements for all Federal agencies. The Secretary of the Treasury is responsible for consolidating reports of all executive agencies for the President on the financial operations of the U.S. Government.

**Federal Managers
Financial Integrity
Act of 1982 – 31
U.S.C. 1105, 1113,
3512**

This Act places the responsibility on Federal managers to implement and maintain a comprehensive accounting system, and also to institute a system of “internal controls” to safeguard resources. The Act requires an annual certification by the Administrator to the President and to Congress that the Agency’s financial system conforms to accounting principles and standards issued by the General Accounting Office.

**The Prompt Payment
Act – 31 U.S.C. 3901-
3906**

This Act requires Federal agencies to pay their bills on time (neither early nor late), to pay penalties if payments are made late, and to take advantage of discounts offered only when it is cost effective and payments are made within the stated discount period. We should pay our bills in a timely fashion so that neither the people nor the Government incurs unnecessary interest expenses.

**The Debt Collection
Act of 1982 – 31
U.S.C. 3302, 3701,
3711, 3716-3719**

This Act authorizes the Federal Government to collect debts by means of administrative offset; assess interest penalties, and administrative costs on overdue debts; contract for private collection services; and disclose information on debts to credit reporting agencies and to the Internal Revenue Service.

**The Chief Financial
Officers Act of 1990-
31 U.S.C. 501**

The purpose of this Act is to bring more effective general and financial management practices to the Federal Government; to improve systems of accounting, financial management, and internal controls; to assure the issuance of reliable financial information; and to deter fraud, waste, and abuse of Government resources. The statute designates a Chief Financial Officer in each major executive agency in the Federal Government.

**Government
Performance and
Results Act of 1993 –
31 U.S.C.**

The purpose of this Act is to improve the confidence of the American people in the capability of the Federal Government, by holding Federal agencies accountable for achieving program results.

**The Debt Collection
Improvement Act of
1996 – 31 U.S.C. 3332**

The purpose of this Act is to improve Governmentwide debt collection, to reduce the deficit, and to respond to the public’s increasing demand for and right to better financial accountability by the Federal Government.

**Government
Management Reform
Act of 1994 – 31
U.S.C. 501**

The Government Management Reform Act of 1994 (GMRA) expanded the financial management reforms begun under the authority of the CFO Act. The GMRA requires all 24 major departments of the government to prepare audited financial statements (previously only selected pilot agencies had been required to prepare audited financial statements) and mandated an audited government-wide consolidated financial statement beginning with FY 1997 data. GMRA also allows the Office of Management and Budget (OMB) to adjust the frequency and due dates of other financial reports, and to consolidate statutorily-required financial reports that agencies must submit to OMB, Congress, or the President. Currently, OMB is considering combining the financial statements, FMFIA reporting, and GPRA reporting into an “accountability report”. This accountability report is being piloted by several Federal agencies.

GMRA has several additional provisions. The Act allows six executive agencies to establish “franchise” funds. These “franchise” funds will allow the six agencies to provide administrative support services to other governmental agencies on a fee basis. The GMRA also requires the government to use electronic funds transfer for people who begin receiving federal salary or retirement payments after January 1, 1995. For APHIS, this provision means that all employees new to Federal service must receive their salary payments by direct deposit. The same is true for all APHIS employees retiring after January 1, 1995.

**Federal Financial
Management
Improvement Act of
1996**

The main purpose of the Federal Financial Management Improvement Act of 1996 is to provide for consistency of accounting by an agency from one fiscal year to the next, and uniform accounting standards throughout the Federal Government.

The Federal Financial Management Improvement Act of 1996 (FFMIA) refers to the substantial progress made by the Federal Accounting Standards Advisory Board (FASAB) “toward developing and recommending a comprehensive set of accounting concepts and standards for the Federal government”.

Federal Financial Management Improvement Act of 1996 (Continued)

The Act further requires that each agency “implement and maintain financial management systems that comply substantially with Federal financial management system requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level”. The FFMIA, by reference, requires Federal agencies to comply with the FASAB standards. It further requires auditors to determine agency compliance with meeting the requirements of the Act, and to develop remedial plans when audits determine deficiencies.

The Federal Accounting Standards Advisory Board

FASAB was established in 1990 by the Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), the Comptroller of the United States. These three officers are referred to as the FASAB principals. FASAB considers and recommends accounting standards for the Federal government to improve the usefulness of Federal financial reports. When the FASAB principals adopt FASAB standards, the standards are considered to be the generally accepted accounting principles for Federal agencies.

FASAB Statements of Federal Accounting Concepts and Standards

To date, FASAB has issued 22 Statements of Federal Financial Accounting Standards (SFFAS). Federal agencies must adhere to these standards in recording financial transactions and preparing financial statements and other external reports. The FASAB standards include:

- ◆ SFFAS 1 – Accounting for Selected Assets and Liabilities
- ◆ SFFAS 2 – Accounting Direct Loans and Loan Guarantees
- ◆ SFFAS 3 – Accounting for Inventory and Related Property
- ◆ SFFAS 4 – Managerial Cost Accounting Concepts and Standards
- ◆ SFFAS 5 – Accounting for Liabilities of the Federal Government
- ◆ SFFAS 6 – Accounting for Property, Plant, and Equipment
- ◆ SFFAS 7 – Accounting for Revenue and Other Financing Sources

FASAB Statements of Federal Accounting Concepts and Standards (Continued)

- ◆ SFFAS 8 – Supplementary Stewardship Reporting
- ◆ SFFAS 9 – Deferral of SFFAS 4 – Managerial Cost Accounting
- ◆ SFFAS 10 – Accounting for Internal Use Software (amends SFFAS 6)
- ◆ SFFAS 11 – Amendments to Accounting for PP&E: Definitions (amends SFFAS’ 6 and 8)
- ◆ SFFAS 12 – Recognition of Contingent Liabilities from Litigation (amends SFFAS 5)
- ◆ SFFAS 13 – Deferral Paragraph 65.2 – Material Revenue-Related Transactions (amends SFFAS 7)
- ◆ SFFAS 14 – Amendments to Deferred Maintenance Reporting (amends SFFAS’ 6 and 8)
- ◆ SFFAS 15 – Management’s Discussion and Analysis – Standards
- ◆ SFFAS 16 – Amendments to Accounting for PP&E: Multi-Use Heritage Assets (amends SFFAS’ 6 and 8)
- ◆ SFFAS 17 – Accounting for Social Insurance
- ◆ SFFAS 18 – Amendments To Accounting Standards For Direct Loans and Loan Guarantees (amends SFFAS 2)
- ◆ SFFAS 19 – Technical Amendments to Accounting Standards For Direct Loans and Loan Guarantees (amends SFFAS 2)
- ◆ SFFAS 20 – Elimination of Certain Disclosures
- ◆ SFFAS 21 – Reporting Corrections of Errors and Changes in Accounting Principles
- ◆ SFFAS 22 – Change in Certain Requirements for Reconciling Obligations and Net Cost of Operations

In addition, FASAB has issued three Statement of Federal Financial Accounting Concepts (SFFAC). FASAB concepts do not establish Federal financial accounting standards; rather they describe the conceptual framework used by FASAB to develop and recommend accounting principles for the Federal government. FASAB concepts are also meant to guide those involved in Federal financial reporting interpreting FASAB standards. The three FASAB SFFACs are:

- ◆ SFFAC 1 – Objectives of Federal Financial Reporting
- ◆ SFFAC 2 – Entity and Display
- ◆ SFFAC 3 – Management’s Discussion and Analysis – Concepts

The complete text of the standards and concepts can be found on the FASAB web site: <http://www.fasab.gov/concepts.htm>.

The Hierarchy of Federal Accounting Standards

The FASAB principals have developed a hierarchy of accounting standards. At the top of the hierarchy are the FASAB SFFAS. These are the standards that Federal agencies must follow in preparing financial statements and other external reports. When an accounting issue is unclear, or has not been addressed by the FASAB, agencies must look to OMB for an interpretation. The next lower level of authority on accounting standards is OMB Circular 97-01, Form and Content of Financial Statements. Form and Content establishes the format for developing agency, departmental, and Government-wide financial statements. When none of the preceding authorities issues guidance on an accounting issue, agencies may look to other authoritative guidance, such as agency policies, GAAP (generally accepted accounting principals), etc.

The Accounting and Auditing Policy Committee (AAPC)

To assist in resolving issues related to implementing the SFFAS, FASAB established the AAPC. The AAPC researches and recommends guidance that (1) if related to the implementation of SFFAS, will be approved by FASAB and its principals, and (2) if related to other accounting issues, will be approved by OMB and issued as guidance (the second level in the accounting standards hierarchy).

The United States Standard General Ledger (SGL) Board

The SGL is a standardized chart of accounts which establishes the account numbers, descriptions, and definitions to be used by all Federal agencies to record general ledger transactions. The SGL is to be used to prepare agency financial statements and budgetary reports. To that end, the SGL Board issues cross-walk tables that link SGL accounts to the various lines on the financial statements and reports. The FFMIA requires agencies to use the SGL at the transaction level. To meet this requirement, the National Finance Center and the Office of the Chief Financial Officer are working to make the USDA financial systems compliant by instituting the SGL as the USDA's official chart of accounts. The implementation of the FFIS will further enable the Department, and APHIS to meet these requirements. Transactions in the FFIS will be linked to SGL-compliant account numbers at the transaction level.

The SGL Board is composed of representatives of all CFO Act agencies, and reviews and votes on the recommendation of the SGL's Issue Resolution Committee (IRC).

**The United States
Standard General
Ledger (SGL) Board
(Continued)**

The IRC is the work group for the SGL Board. The IRC is composed of Treasury Financial Services employees and interested agency representatives who review FASAB standards and other authoritative accounting guidance for their impact on financial reporting. When warranted, the IRC will develop and recommend new SGL accounts, or transactions to the SGL Board.

**Responsibilities of the
Financial Manager**

A financial manager (anyone with financial management responsibilities) must protect resources against loss, fraud, waste, and abuse; prepare and execute the budget; and manage resources to promote the efficient and effective accomplishment of program goals. The financial manager should use the APHIS official accounting system to facilitate, control, and report on his/her progress in achieving program goals.

Managing Resources

Every fund holder must prepare a comprehensive detailed annual operating plan for expending funds which meets program and support unit objectives. This objective is met in the management of resources – the program focuses on organization accountability by managers and emphasizes the need to place the decision-making process at the lowest level consistent with program objectives. This is accomplished by allocating resources to an organizational entity in a “lump sum”.

The management responsibility for spending decisions is placed at the operational level and financial reports are produced at the lowest level of accounting (accounting codes) by an organizational entity. The cost by activity through proper distribution of indirect program and administrative cost is calculated by FMD or the National Finance Center (NFC).

Each organizational unit allocated funds must develop an annual plan for expending financial resources. The annual operating plan should:

- ◆ Identify the spending authority by budget object class for the individual programs for each account at the levels authorized in the allocations;
- ◆ Reflect the assignment of organizational responsibility for managing these programs;

**Managing Resources
(Continued)**

- ◆ Distinguish between appropriated funds and reimbursable funds;
- ◆ Monitor key variables and relevant workload or activity measures of achievements; and
- ◆ Establish spending authority to operating officials who execute the operating plan. The amount of spending authority distributed to an entity should represent the amount needed for a specific time period or to accomplish an approved plan.

**Review and
Evaluation of Agency
Programs**

The financial managers must ensure monthly reconciliation of the financial reports generated from the APHIS official accounting system. It is imperative to provide accurate, up-to-date, and timely information to managers so they can effectively evaluate accomplishments and provide a basis to support future decisions to accomplish program goals. Close monitoring of available funds ensures:

- ◆ Funds are used only for the purposes for which they were appropriated;
- ◆ Funds are expended in an economical and efficient manner;
- ◆ Obligations and disbursement do not exceed authorized amounts; and
- ◆ Funds are not reserved or otherwise deferred without Congressional knowledge or approval.

A monthly status of funds review should be conducted for each fund holder. The review should compare the work accomplished (results) with resources expended (costs). It also should contain current availability of funds, operating plan, year-to-date obligations, and staff-year information on a program-by-program and unit basis. The review also should project expected surpluses and deficits for the current fiscal year. This review and evaluation process is a valuable fund management exercise and contributes much to the fiscal control process.

How This Manual Is Organized

This manual covers the entire budget and accounting process.

General information is provided in each chapter. Instructions and sample forms are included as Exhibits when no other source provides such instructions. Please refer to the appropriate chapters in Title II – NFC Voucher and Invoice Payments Manual and Title III – NFC Billings and Collections Manual for detailed instructions on NFC procedures; the APHIS Agreements Management Manual for detailed information on cooperative agreements and grants; and the Federal Travel Regulations for detailed information on travel.