4 FAH-3 H-640
ACCOUNTING FOR DEPARTMENT COSTS

(CT:FMP-67; 06-22-2012)
(Office of Origin: RM/FPRA/FAFM)

4 FAH-3 H-641 GENERAL

(TL:FMP-13; 09-06-2002)

a. The Department's financial assistance costs are generally recognized at the time payments are made. Under this principle, advances and accrued liabilities are considered to be immaterial for financial reporting purposes.

b. Exceptions are made when program officers deem it appropriate to allow recipients to draw significant funds in advance of needs or where recipients within a particular program tend to draw funds as reimbursements after they have made expenditures. When a recipient who has been authorized to draw down funds in advance of needs submits a Form SF-270 Request for Advance or Reimbursement requesting an advance of funds in an amount greater than its needs for 60 days, the payment will be recorded by the Bureau of Resource Management (RM) as an advance. Form SF-270s for such awards will be filed or tagged in such a manner to allow identification for advances. At the end of each fiscal quarter the Form SF270s for awards under which such advances have been made will be analyzed by RM and an accounting entry recorded to reduce the advance and recognize costs.

c. For any financial assistance program where recipients display a pattern of drawing Federal funds after, rather than before, making expenditures, a process for developing estimates of the Federal liability at year end will be installed. The responsible bureau, in coordination with RM, will select one of the following alternatives that have been proposed by the Joint Financial Management Improvement Program:

   (1) Poll all grantees as of September 30 of each fiscal year.

   (2) Take a statistical sample of grantees and base projections on the sample.

   (3) Perform a linear regression or other statistical analysis using disbursement amounts and prior year expensed to develop an algorithm to estimate current year-end accrual amounts.

(4) Forecast the fourth quarter expenditures using a forecasting model such as the auto-regressive forecasting model or the exponentially weighted moving-average forecasting model.

(5) Estimate the year end accrual based on an analysis of the aggregate amount of disbursements rather than the patterns of individual grantees.

d. Year-end accruals will be recorded in the general ledger for year-end reporting and reversed upon opening the books for the next fiscal year.

4 FAH-3 H-642 THROUGH H-649 UNASSIGNED