

Memorandum
September 2, 1996

To: Executive Departments and Agencies

From: William F. Patriarca
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Governmentwide Accounting and Reporting

Subject: 1996 Update to the Federal Government's
Budgetary Accounting Guide

I'm pleased to present the update to the Federal Government's *Budgetary Accounting Guide*. This publication was produced to assist personnel in both accounting and budget areas by providing guidance on proper recording of budgetary accounting events and completing common budgetary reports. The guide should be a very valuable working tool for agencies in the proper treatment of all types of resources.

Since the time the original guide was published in 1994, the new OMB Circular A-34 and SF-133 Budget Execution Report have greatly impacted this publication's content. Because of the complexity and volume of changes, we're issuing a completely new version of this guide, as opposed to page inserts containing new material. We look forward to the day when we will be able to simply release changed items for you to insert into your master publication.

In the pages that follow, you'll find a summary of the many changes to the *Budgetary Accounting Guide*. In addition, we've included an explanation of certain limitations and disclosures pertaining to data and reporting. The Financial Standards and Reporting Division (FSRD) staff has included this summary and explanatory material to assist you in understanding the scope of this update.

Please contact FSRD at (202) 874-9980 for further assistance in using this publication in your agency. We look forward to providing you with expert guidance and will release updates to this guide as necessary.

Budgetary Accounting Guide

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CHAPTER 1: _____

Introduction and Overview

Scope and Purpose

From fiscal 1989¹ through 1993,² budgetary outlays of the United States Government increased from about \$1.1 trillion to \$1.4 trillion. Simultaneously, the Federal deficit increased from \$153 billion to \$255 billion. The cumulative deficit at the end of fiscal 1993 reached \$3.2 trillion.³

Under these circumstances, the need to control funds to avoid over-obligation and over-expenditure becomes ever more important.

Federal agency heads must establish systems of internal control over their operations, according to 31 U.S.C. 3512. Also, 31 U.S.C. 1341 and 1517(A)(1), the Anti-Deficiency Act, provide criminal penalties for knowingly over-obligating or over-expending budgetary resources. The Office of Management and Budget has instituted budgetary reporting requirements to help ensure that Act is not violated and that budgetary accounting is properly performed.⁴

This document illustrates *pro forma* accounting and reporting for budgetary resources. It is intended for use by those who establish

accounting policy, operating accountants and technicians, those who design and maintain accounting systems, and auditors.

This document illustrates pro forma entries for the basic Federal budgetary accounting equation, which is: Net resources equals status of resources, where "net resources" is defined as resources minus contra resources.

$$\begin{array}{c} \text{Net resources} \\ = \\ \text{Status of resources} \end{array}$$

$$\text{Resources - Contra resources = Status of resources}$$

¹ *Budget of the United States Government, Fiscal Year 1992* (Washington, D.C.: U. S. Government Printing Office), part IV, p. 15.

² *Final Monthly Treasury Statement for Fiscal Year 1993* (Washington, D.C.: Department of the Treasury, November 22, 1993), p. 2.

³ *Ibid.*, p. 20.

⁴ See, for example, OMB Circulars A-11, "Preparation and Submission of Budget Estimates," and A-34 "Budget Execution."

Budgetary Accounting

The document shows separate sets of entries for the following types of resources:

- √ Appropriations;
- √ Collections (other than through reimbursable work agreements);
- √ Borrowing Authority;
- √ Contract Authority; and
- √ Reimbursable Work Agreements.

Using accounts in the *United States Government Standard General Ledger (SGL)*, this document illustrates:

- √ Anticipation or realization of net resources;
- √ Apportionment of net resources and subsequent changes in status; and
- √ Account closings.

The general framework used to prepare these entries is shown in the box at right. Specific accounts used are presented in separate frameworks for each type of resource in the chapters covering the resources. A master framework for all types of resources is presented in the appendix. In addition, crosswalks from *SGL* accounts to these key reports are set forth for each type of resource:

- √ SF-133, "Report on Budget Execution;" and
- √ FMS-2108, "Year-End Closing Statement."

Specific crosswalks for each type of resource are presented in the chapters covering the resources.

General Framework for Preparing Entries

Net Resources

Appropriations

Collections other than through Reimbursables

Borrowing Authority

Contract Authority

Reimbursable Authority

Status of Resources

Unapportioned

Apportioned

Allotted

Committed

Obligated (through undelivered orders)

Expended

Expired (where applicable)

Canceled (where applicable)

Relationship to the SGL

This publication is an illustrative interpretation of the SGL. It provides separate information on *budgetary accounting only*.

The *SGL* integrates budgetary and proprietary accounting for each transaction, as would be required in an efficient, effective accounting system. There is no suggestion intended that separate, non-integrated systems for budgetary and proprietary accounting should be used by agencies.

Budgetary entries that would normally be accompanied by related proprietary entries are so marked in the text. The document is not intended to substitute for the SGL or to be a section of the SGL, and it is not a directive.

While agencies should use SGL accounts in recording their transactions,¹ they are free to design such entries as are appropriate to accomplish their internal and external reporting needs. Thus, they may use entries other than those illustrated here or in the SGL.

Similarly, agencies may use crosswalks other than those illustrated.

Other combinations of accounts may yield line items in standard reports. In some cases, legislation or regulation may provide for reports to be prepared in accordance with unique agency or program requirements.

Limitations

Effective use of this document requires a basic understanding of accounting--that is, training equivalent to a first-semester college course in accounting principles.

It does not cover the underlying theory and definitions or repeat lengthy material available elsewhere. Such theory and material is covered in other documents such as set forth in the listing of selected references presented later in this chapter.

The entries presented here cover most basic situations, but they are not intended to be comprehensive. Some agencies may have transactions that are not included in this document. For instance, this document does not cover:

√ Entries to record cancellation of budgetary authority involved with related cancellations of receivables and payables. This accounting is set forth in a Standard General Ledger Board treatise on the subject; or

√ The entry to adjust certain credit reform accounts for interest receivable erroneously recorded as budgetary resources. The adjustment process is contained in Treasury Credit Reform Case 4 on liquidating funds; or

√ Transfer of budgetary authority from one agency to another. Entries for that, as presently constituted, are contained in Section III, Accounting Transactions, of the *SGL*.

Finally, it should be noted that in recording budgetary entries for a given program containing more than one type of resource, agencies would need to make entries from more than one of the resource sections presented here.

The organization of the document is by resource type, and it does not purport to show entries by operating program. Many of the resources listed in the references section are tailored to specific agency programs.

¹ OMB Circular A-127 "Financial Management Systems," (Washington, D.C.: Office of Management and Budget, July 23, 1993), p. 6.

Organization of this document

The remainder of this document is divided into chapters covering each resource and an appendix. Specifically:

√ Chapter II covers appropriations;

√ Chapter III covers collections other than through interagency reimbursable work agreements;

√ Chapter IV covers borrowing authority;

√ Chapter V covers contract authority;

√ Chapter VI covers reimbursable authority; and

√ The appendix provides a master framework of accounts used.

References

The following references provide underlying theory, explanation, illustration, and definitions of budgetary accounting concepts and terminology.

√ Accounting for Basic Operating Appropriations and Reimbursables, prepared by the U. S. General Accounting Office (AFMD-PPM-2.1, September 1990).

√ Accounting for Expired Appropriation Authority Under the Requirements of P.L. 101-510, prepared by the United States Government Standard General Ledger Board under the auspices of the Financial Management Service (FMS), Department of the Treasury (October 1991).

√ Accounting for the Present Value of Direct Loans and Loan Guarantees Under the Federal Credit Reform Act of 1990, prepared by FMS, Department of the Treasury (September 1992).

√ *Conversion of Federal Credit Reform Conventional Accounting Data to meet Audited Financial Statements Form and Content Requirements for Direct Loan Programs*, prepared by FMS, Department of the Treasury (October 1992).

√ *Conversion of Federal Credit Reform Conventional Accounting Data to meet Audited Financial Statements Form and Content Requirements for Loan Guarantee Programs*, prepared by FMS, Department of the Treasury (October 1992).

√ *A Glossary of Terms Used in the Federal Budget Process* (GAO/AFMD-2.1.1, January 1993)

√ *Illustrative Cases in Accounting under the Credit Reform Act of 1990*, prepared by the Financial Management Service, Department of the Treasury (separate cases with various dates 1992-1994).

√ JFMIP Core Financial System Requirements, Financial Management System Requirements, FFMSR-1, (April 1994).

√ OMB Circular A-11, "Preparation and Submission of Budget Estimates" (July 1994).

√ OMB Circular A-34, "Budget Execution" (December 1995).

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√ OMB Circular A-127, "Financial Management Systems" (July 1993).

√ *Treasury Financial Manual*: I TFM 2-4200, "Reports by Agencies on Unexpended Balances of Appropriations and Funds (FMS-2108)," (under revision at this writing).

√ *U.S. Government Standard General Ledger*, Treasury Financial Manual, Vol. No. I, Supplement No. II (S2), (1986); TFM Transmittal Letter S2-01, (June 1989); Bulletin No. S2-93-01, (November 1992); Bulletin No. S2-94-01 (May 13, 1994); TFM Transmittal Letter S2-96-02 (April 1996).