GENERAL SERVICES ADMINISTRATION
Washington, DC 20405

CFO 4260.1
June 10, 2015

GSA ORDER

SUBJECT: Chief Financial Officer Manual Volume 1

1. Purpose. This Order issues and transmits the revised Chief Financial Officer Manual, Volume 1, Overview of GSA Financial Management Process.

2. Background. This manual establishes uniform accounting policies for the General Services Administration (GSA) and provides guidance on procedures and operational requirements where appropriate. While it does not include every policy or procedure, this manual is a useful supplement to other manuals and references, including Federal Accounting Standards Advisory Board (FASAB) pronouncements, Government Accountability Office (GAO) decisions, Office of Management and Budget (OMB) circulars, and United States Department of the Treasury (Treasury) Bureau of the Fiscal Service (Fiscal Service) regulations and guidelines, and various public laws (Pub. L.) pertaining to financial management within the Federal Government. To ensure consistent application throughout GSA, the Office of the Chief Financial Officer (OCFO) shall be contacted when clarification, technical guidance, implementation guidance, or other information is needed. Informal or formal requests addressed to FASAB for an interpretation, clarification, technical guidance, implementation guidance or other information shall be submitted through the OCFO.

3. Scope and applicability. The provisions of this manual apply to all organizations within GSA.

4. Cancellation.

a. COM P 4251.1, Comptroller Handbook Volume 1, Chs 1 – 5, Ch 6, and Appendices 5A, 5b & 6A;

b. CFO 4268.1A, GSA lmprest Fund Operations Policy;

c. CFO-IL-12-1, Payroll Recording of Federal and Non-Federal Employer-Paid Benefits;

d. CFO-IL-12-3, Accounting Policy and Procedures for Environmental Related Cleanup Costs;

e. CFO-IL-12-04, Accounting for the Sale of Easements;

f. CFO-IL-14-03, Deferred Maintenance and Repairs (DM&R);

g. CFO-IL-14-04, Federal Employees' Compensation Act (FECA) Accrual; and

h. CFO-IL-15-01, Accounting and Reporting for Impairment of General Property and Equipment Remaining In Use.

5. Revisions. This manual updates the existing COM P 4251.1, Comptroller Handbook Volume 1 and the renaming and renumbering of the handbook to the CFO P 4260.1 Chief Financial Officer Manual Volume 1. This manual incorporates new and revised accounting policies and procedures. Major changes include:

a. Chapter 1.

(1) Added FASAB hierarchy of generally accepted accounting principles (GAAP), compliance with GAAP and non-GAAP procedures, legal and regulatory requirements.

(2) Updated related GSA handbooks and manuals.

(3) Deleted GAO Title 1 through Title 8 references and attachments.

(4) Added an appendix on GSA Request for Approval of NON-GAAP Policies.

b. Chapter 2. Complete revision of Chapter 2 to improve descriptions of and reference to Treasury Financial Manual (TFM) and Comptroller General Decisions: Bid Protests, The Red Book, Appropriations Law Resources, Antideficiency Act Reports, Contract Appeals Boards, and Federal Vacancies Act Reports.

c. Chapter 3. Complete revision of Chapter 3 to address the new Component Treasury Account Symbol, fund codes, and agency and bureau codes requirements.

d. Chapter 4. Complete revision of Chapter 4 by replacing the National Electronic Accounting and Reporting with the Pegasys Accounting system.

e. Chapter 5. Complete revision of Chapter 5 adding the current A-123 requirements and deleting the requirements of GAO Policy and Procedures Manual for Guidance of Federal Agencies (Title 2).

f. Chapter 6. Replaced old Chapter 6 with the following:

(1) Chapter 6 - Accrual Basis of Accounting

(2) Chapter 7 - Imprest Fund to incorporate and cancel CFO 4268.1A, GSA Imprest Fund Operations Policy

(3) Chapter 8 – Surplus Funds

(4) Chapter 9 – Property and Equipment, defined accountability and fixed asset record system, and incorporated CFO-IL-08-01, Policy on capitalization thresholds and depreciation, May 5, 2008

(5) Chapter 10 – Impairment of General Property and Equipment Remaining in Use to incorporate and cancel CFO-IL-15-01, Accounting and Reporting for Impairment of General Property and Equipment Remaining In Use

(6) Chapter 11 – Advances and Prepayments

(7) Chapter 12 – Contingent Liabilities

(8) Chapter 13 – Payroll and Related Liabilities to incorporate and cancel CFO-IL-12-1, Payroll Recording of Federal and Non-Federal Employer-Paid Benefits; and CFO-IL-14-04, Federal Employees' Compensation Act (FECA) Accrual

(9) Chapter 14 – Leasing

(10) Chapter 15 – Environmental Related Cleanup Costs to incorporate and cancel CFO-IL-12-3, Accounting Policy and Procedures for Environmental Related Cleanup Costs

(11) Chapter 16 – Deferred Maintenance and Repairs to incorporate and cancel CFO-IL-14-03, Deferred Maintenance and Repairs (DM&R)

(12) Chapter 17 – Net Position

(13) Chapter 18 – Sale of Easements to incorporate and cancel CFO-IL-12-04, Accounting for the Sale of Easements

g. Appendices.

(1) Added an appendix for acronyms used in this volume.
(2) Removed appendix on OMB Circular A-123, August 16, 1983.
(3) Removed appendix on GAO Policy Title 2, November 14, 1984.

6. Responsibilities. The Office of Financial Management, Financial Policy Division manages this financial policy guidance. If you have any questions, please contact Priscilla Sampson, by email at priscilla.sampson@gsa.gov, or Edward Gramp at edward.gramp@gsa.gov.

7. Signature.

/S/____________________________
GERARD E. BADORREK
Chief Financial Officer (B)

Chief Financial Officer Manual Volume 1

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CHAPTER 1. INTRODUCTION TO THE CHIEF FINANCIAL OFFICER MANUAL AND GSA ACCOUNTING POLICY AND PROCEDURES

PART 1. INTRODUCTION

1. Purpose.

a. The Chief Financial Officer Manual (CFO Manual) sets forth accounting principles and standards to be followed within GSA, as required by the Chief Financial Officers Act of 1990 (CFO Act). It provides written guidance to those who prepare and use financial information.

b. The CFO Manual contains the foundation for financial accounting requirements within GSA. The manual is based on Federal laws, regulations, standards, policies and other authoritative sources. The CFO Manual incorporates: Government Accountability Office (GAO) decisions; Office of Management and Budget (OMB), Federal Accounting Standards Advisory Board (FASAB), and Treasury requirements; and the OCFO accounting policies and procedures necessary to support the accounting operations and the core financial accounting system of record (Pegasys) throughout GSA. GSA policies and procedures not incorporated in the CFO Manual are referenced in the text.

2. CFO Manual structure. CFO Manual includes five volumes, as outlined below:

a. Volume 1 – Overview of GSA Financial Management Process. This volume establishes uniform accounting policies for GSA and provides guidance on procedures and operational requirements where appropriate. It introduces Pegasys, the financial system of record for GSA, and various laws, regulations, and other requirements that govern accounting and financial management within the Federal Government.

b. Volume 2 – Financial Reporting Requirements. This volume contains financial reporting requirements for GSA. It discusses the specific requirements of Congress, FASAB, GAO, OMB, or Treasury and the basic statute for each external report. Use of this volume will ensure that GSA complies with established governmental reporting requirements.

c. Volume 3 – Specific Policies and Procedures for the Public Buildings Service (PBS). (Reserved)

d. Volume 4 – Specific Policies and Procedures for the Federal Acquisition Service (FAS). (Reserved)

e. Volume 5 – Specific Policies and Procedures for Other Funds. (Reserved)

3. Applicability. The CFO Manual is designed for daily use by those performing or managing GSA financial management and accounting functions. All Services and Staff

Offices (SSOs) must comply with the requirements of this manual. Nothing in this policy limits the Office of the Inspector General's (OIG) independent authority, including the financial authority and responsibility for disbursement of OIG funds; administrative control of financial resources; and the authority to procure, manage, and maintain OIG information technology resources.

4. GSA Background. The United States Federal Property and Administrative Services Act of 1949 {40 United States Code (U.S.C.) §§ 101 - 18304}, as amended, created GSA to consolidate the Federal Government's real estate, supply, and other management support functions. GSA provides the Federal Government an efficient system for the procurement and operation of buildings, procurement and distribution of general supplies, acquisition and management of a motor vehicle fleet, management of automated data processing resources, and management of telecommunications programs. GSA seeks efficiencies through joint management policy-making with departments and other agencies especially since agencies are no longer required to use GSA exclusively for most of their needed products and services. The Administrator oversees GSA and its responsibilities through the operation of several appropriated and revolving funds.

5. Financing GSA programs. Refer to CFO P 4260.2, Volume 2, Financial Reporting Requirements, Ch. 1, for specific GSA budgetary authority.

6. Responsibilities. All authority to expend funds and to certify the disbursement of funds through a Treasury Disbursing Officer resides with the Administrator, except the authority vested in the Inspector General by the Inspector General Act of 1978, (5 U.S.C. App. 3), as amended. The Administrator has delegated to the Chief Financial Officer (CFO) all financial authority and responsibility for disbursement of funds and administrative control of financial resources. Refer to ADM P 5450.39D, GSA Delegations of Authority Manual, Ch. 8, for details.

PART 2. GSA ACCOUNTING POLICY AND PROCEDURES

7. Hierarchy of generally accepted accounting principles (GAAP). In October 1990, the Comptroller General, the Secretary of the Treasury, and the Director of OMB established FASAB. The purpose of FASAB is to develop and recommend accounting standards and principles for the Federal Government. These standards are recognized as GAAP and are applied by Federal agencies in preparing financial statements. FASAB Statement of Federal Financial Accounting Standard (SFFAS) 34 established the hierarchy of GAAP for Federal financial statements as follows:

a. Accounting principles consist of FASAB Standards and Interpretations. Standards and Interpretations are periodically updated by FASAB.

b. FASAB Technical Bulletins and American Institute of Certified Public Accountants Industry Audit and Accounting Guides, if specifically made applicable to Federal reporting entities by American Institute of Certified Public Accountants and cleared by FASAB.

c. Technical Releases of the Accounting and Auditing Policy Committee of FASAB.

d. Implementation guides published by FASAB staff, as well as practices that are widely recognized and prevalent in the Federal Government.

8. Compliance with GAAP. All GSA offices responsible for financial management activities that impact external financial reporting must ensure that accounting transactions adhere to GAAP developed by FASAB for Federal entities. Non-GAAP procedures are generally not acceptable; however, under very limited circumstances, consideration may be given to a properly justified request where the impact on GSA is immaterial. The fact that the amount is immaterial is not sufficient justification for approval, as the combination of non-GAAP practices could lead to more significant financial reporting impacts when viewed at an aggregate level. Therefore, any non-GAAP accounting procedure under consideration by SSOs must be submitted electronically by the initiating SSOs, with concurrence of the financial management division supporting that SSO, for approval to the OCFO, using the attached format (Appendix A). The request should be sent to the attention of the Office of Financial Management and must provide a full justification, cost/benefit analysis, and defined methodology that will be used to monitor non-GAAP activities on a regular basis to ensure that the amounts remain immaterial.

9. Legal and regulatory requirements. The policies and procedures in this volume are issued pursuant to the following laws, regulations, and guidelines.

a. Standards for Internal Control in the Federal Government (The Green Book). The Green Book sets the standards for an effective internal control system for Federal agencies and provides the overall framework for designing, implementing, and operating an effective internal control system.

b. Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 (31 U.S.C. § 3321 note). This act requires agencies to improve the quality of oversight for high-dollar and high risk programs, and it mandates that agencies share data regarding recipient eligibility and payment amounts. In addition, this act requires the OMB to examine the rates and amounts of improper payments that agencies have recovered and establish targets for increasing those amounts. IPERIA and OMB directives require agencies to integrate the use of existing Federal databases (collectively known as the “Do Not Pay List”) to verify eligibility for Federal payments in order to reduce and eliminate payment errors before they occur.

c. General Services Administration Modernization Act of 2006 (Pub. L. 109–313). This act amended Section 111 of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 759). The act established FAS in GSA to carry out functions related to the uses of the Acquisition Services Fund, including any functions that were carried out by the Federal Supply Service and the Federal Technology Service.

d. Antideficiency Act (ADA) (31 U.S.C. § 1341). This act established rules for controlling the obligation of funds as well as penalties for over-obligating funds (31 U.S.C. §§ 1349a, 1359, 1518, and 1519). The act prohibits the incurring of obligations or the making of expenditures (outlays) in advance of or in excess of amounts available in appropriations or apportionments. The ADA prohibits the government from incurring an obligation under a contract that is not fully funded.

e. Accountability of Tax Dollars Act of 2002 (31 U.S.C. § 3501 note). This act requires agencies to produce and submit unaudited quarterly financial statements to OMB and to produce an integrated Performance and Accountability Report or Agency Financial Report.

f. Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002 (5 U.S.C. § 2301 et. seq.). This act requires Federal agencies to reimburse the Judgment Fund for payment made to employees, former employees, or applicants for Federal employment because of an actual or alleged violation of Federal discrimination laws. GSA is not authorized to make direct payments to these individuals. The Judgment Fund is administered by Treasury Fiscal Service. Upon receiving notification from Fiscal Service that a payment has been made, GSA has 45 days in which to repay the Judgment Fund or make a commitment for future reimbursement.

g. E-Government Act of 2002 (Title III - Federal Information Security Management Act of 2002) (44 U.S.C. § 3601 et. seq.). This act reiterates security requirements contained in existing OMB policies and in Federal laws such as the Computer Security Act of 1987, the Paper Reduction Act of 1995, and the Clinger-Cohen Act of 1996. The act mandates that GSA implement an information security program and designate a senior information security officer. The act also established evaluation and reporting requirements that require GSA to report any significant deficiencies in an information security policy, procedure, or practice if relating to financial management systems as a lack of substantial compliance with the Federal Financial Management Improvement Act.

h. E-Government Act of 2002 (Title II - Federal Management and Promotion of Electronic Government Services) (44 U.S.C. § 101). This act seeks to improve the management and promotion of electronic government services and processes by establishing a Federal Chief Information Officer within OMB, and by establishing a framework of measures that require using internet-based information technology to improve citizen access to government information and services.

i. Reports Consolidation Act of 2000 (31 U.S.C. § 3501, 31 U.S.C. § 3516 and 31 U.S.C. § 1116 note). This act gives OMB authority to combine financial reports to the President and Congress that contain performance and accountability information.

j. Travel and Transportation Reform Act of 1998 (5 U.S.C. § 5701 note). This act requires Federal employees to use travel charge cards to pay for the expenses of official government travel.

k. Federal Financial Management Improvement Act (FFMIA) of 1996 (31 U.S.C. § 3512 note). This act requires GSA to implement and maintain systems that substantially comply with: (1) Federal accounting standards, (2) the United States Government Standard General Ledger (USSGL) at the transaction level, and (3) Federal financial management systems requirements. In addition, FFMIA requires auditors to report whether GSA systems comply with FFMIA system requirements. To comply with Federal financial management system requirements, OMB implementation guidance requires that systems meet the requirements of Circular A-123, Management's Responsibility for Internal Control, Appendix D, Compliance with the FFMIA.

l. Debt Collection Improvement Act of 1996 (31 U.S.C. § 3701). This act requires proper collection of debts, to authorize the compromise or suspension of some debts, and to authorize the use of certain collection tools that are available in the private sector. The act requires Treasury and other disbursing officials to offset Federal payments to collect delinquent debts owed to the United States except as prohibited by law or exempted by Treasury. GSA is required to submit an annual report to OMB, due on December 31, on the standards and policies for compromising, writing-down, forgiving, or discharging indebtedness.

m. Government Management Reform Act of 1994 (Pub. L. 103-356). This act expanded the financial statement audit coverage to include department-wide and Governmentwide audited financial statements. The act requires that the Administrator submit audited financial statements to the Director of OMB each fiscal year. The financial statements must reflect the results of operations and cover all accounts and associated activity of GSA.

n. Government Performance and Results Act (GPRA) of 1993 (Pub. L. 103-62) as modified by the GPRA Modernization Act of 2010 (Pub. L. 111-352). This act holds GSA accountable for achieving program results and requires it to identify missions, set goals, measure performance, and report on its accomplishments. GSA must develop and submit a multiyear strategic plan, which contains its mission statements and long-term strategic goals. GSA must also submit annual performance plans, which include performance goals linked to the budget and indicators of how performance will be measured. Annual performance reports, also required under the act, provide information on the extent that GSA met its annual performance goals.

o. Chief Financial Officers Act of 1990 (31 U.S.C. § 501). The CFO Act emphasizes strong financial leadership, improved systems of accounting, financial management and internal control, and reliable financial information. The act established the Deputy Director for Management and the Office of Federal Financial Management, in OMB, and created CFO positions in major agencies to provide financial management direction. This act requires the agency CFO to develop and maintain an integrated agency accounting and financial management system that complies with applicable accounting principles, standards, and requirements; internal control standards; and produce audited financial statements. A key element of the act requires Federal agencies to produce audited financial statements.

p. Cash Management Improvement Act of 1990 (31 U.S.C. §§ 3335 and 6503). This act provides rules to ensure greater efficiency, effectiveness, and equity in the exchange of funds between the Federal Government and the States (including the District of Columbia, and the Territories of American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the Virgin Islands).

q. Federal Debt Collection Procedures Act of 1990 (28 U.S.C. § 3001 et seq.). This act established a uniform process, through the court system, for collecting debts owed the Federal Government and provides for uniform procedures for enforcing judgments to collect Federal debt.

r. Certifying Officers Act of 1982 (31 U.S.C. § 3528). This act defines the responsibilities of Disbursing and Certifying Officers and when the Comptroller General may relieve a certifying official from liability.

s. Federal Managers Financial Integrity Act (FMFIA) of 1982 (Pub. L. 97-255). This act amended the Accounting and Auditing Act of 1950 to require ongoing evaluations and reports of the adequacy of the systems of internal accounting and administrative control of each executive agency. FMFIA requires GSA to establish controls that reasonably ensure: (1) obligations and costs are in compliance with applicable law; (2) funds, property, and other assets are safeguarded against waste, loss, unauthorized use or misappropriation; and (3) revenues and expenditures are properly recorded and accounted for within the agency. OMB Circular A-123, Management's Responsibility for Internal Control, is the primary vehicle for implementing FMFIA in the executive branch.

t. Prompt Payment Act of 1982 (revised 1999) (31 U.S.C. Chapter 39). This act requires GSA to pay non-Federal invoices on a timely basis (e.g., within 30 days), to pay interest penalties when payments are made late and to take economically justified discounts only when payments are made by the discount date.

u. Contract Disputes Act of 1978 (41 U.S.C. §§ 601-613). This act waives the government's sovereign immunity, permitting contractors to sue the government either in an administrative tribunal (a board that hears appeals) or in a court. It also establishes the procedures to be used by contractors and contracting officers (those authorized to bind the government in contract) in resolving disputes involving contracts with the Federal Government, specifically the executive branch.

v. Inspector General Act of 1978, as amended (Pub. L. 95-452). This act establishes the OIG to direct the audit and investigation of the programs of GSA and to provide leadership, coordination, and recommend policies to promote the efficiency and effectiveness within GSA, and to prevent and detect fraud and abuse in programs. It also provides the means for keeping the Administrator and Congress fully and currently informed about problems and deficiencies of programs. The act authorizes the OIG to issue a subpoena of all documents and other data in any medium (including electronically stored information, as well as any tangible thing) in connection with any OIG review. It grants the OIG control over its own hiring of staff and contracting for services.

w. Congressional Budget and Impoundment Control Act of 1974 (Pub. L. 93-344). This act refines the budget process and establishes the fiscal year for the Federal Government as beginning October 1 and ending September 30 of the following year.

x. The Economy Act of 1932 (31 U.S.C. §. 1535). This act prescribes rules for the purchase of supplies, equipment, or services by one Federal Government bureau or department from another. An Economy Act order can be used when: 1) funds are available, 2) the head of the ordering agency determines that it is in the best interest of the government, and, 3) the head of the ordering agency decides that ordered goods or services cannot be provided as conveniently or cheaply by contract with commercial enterprise. These must be shown by a Determination and Findings document, prepared by the ordering agency. The performing agency must be able to provide the goods or services in-house or by contract, and parties should verify under Part 8 of the Federal Acquisition Regulations that the responsibility for this good or service is not assigned to another agency of the federal government. Authority for the ordering agency to do the work in question must be independently authorized. It should be noted that funds made available to the performing agency, but not yet obligated by the performing agency, shall be de-obligated and returned to the ordering agency at the end of their period of availability

10. Related GSA handbooks and manuals. This CFO manual is to be used in conjunction with the following GSA handbooks, manuals and Orders.

a. Internal Audit Follow-up Handbook (ADM P 2030.2D). This handbook provides the policies and procedures for responding to reports issued by the GAO and the OIG, as well as resolving and implementing management's responses to the reports. The handbook describes the responsibilities of the audit follow-up official and the organizations and officials engaged in audit resolution and follow-up.

b. Management and Use of the GSA SmartPay® Purchase Card (OAS 4200.1A). This order provides guidance on the proper use of the purchase card to comply with laws, regulations, and GSA policy.

c. Waiver of Claims for Overpayment of Travel, Transportation, and Relocation Expenses and Allowances (CFO 4200.3A). This order provides procedures for waiving claims of the United States arising from erroneous payment of travel, transportation, and relocation expenses and allowances to employees where repayment would not be in the public's best interest.

d. Cost Estimation Policy Handbook (CFO P 4210.1). This policy establishes key principles and basic processes that must be applied to all cost estimates prepared in every project, process, or organization within GSA. The policy governs preparation and reporting of both on-budget and off-budget costs and benefits. It uses the term cost estimates to refer generally to future or past estimates of dollar costs or savings -- regardless of budgetary impact -- and performance measurement, including calculation and reporting of organizational performance through the Performance Management Process.

e. Activity Based Costing/Management (ADM P 4215.1). This order provides guidance for implementing activity-based costing throughout GSA. Although activity-based management and performance-based budgeting are briefly addressed, this order does not provide a roadmap for integrating activity-based costing data with performance metrics. It serves as direction from OCFO to SSOs to assist financial and program managers with implementation of activity-based costing/management at their respective locations.

f. Operations in the Absence of Appropriations (ADM 4220.1H). This order updates the GSA plan for conducting an orderly shutdown in the event of an absence of appropriations, i.e. no budget has been signed by Congress.

g. Budget Administration Handbook (CFO P 4251.4A). This handbook discusses the basis for budget administration in the Federal Government, and how the process is implemented within GSA.

h. Accounts Payable Policy Manual (CFO P 4252.1B). This manual establishes uniform policies for accounts payable functions and provides guidance on procedures and operational requirements where appropriate.

i. Accounts Receivable and Debt Collection Manual (CFO P 4253.1B). This manual establishes uniform policies for accounts receivable functions and provides guidance on procedures and operational requirements for GSA where appropriate. It establishes procedures for processing collections and liquidation of accounts receivable.

j. Timekeeping Handbook (CFO P 4282.1A). This handbook contains procedures for maintaining complete and accurate Time and Attendance records and pertinent leave regulations within GSA. For specific guidance regarding pay and leave refer to Time and Leave Administration Handbook (OAD P 6010.4). Further guidance regarding pay and leave entitlement with respect to employees who are members of bargaining units may be found in applicable collective bargaining agreements.

k. GSA Internal Travel Regulations and Control of Official Travel (PFM P 4290.1). This handbook contains the standards, instructions, and procedures governing the approval, authorization, coordination, performance, and vouchering for official travel in connection with programs and operations.

l. Agency Internal Control Program (ADM P 5400.41B). This handbook outlines the responsibilities that all managers have relating to the system of internal controls. The responsibilities include evaluating and testing internal controls; performing risk assessments; issuing assurance statements; and identifying, reporting, and correcting internal control weaknesses.

m. GSA Management Control Oversight Council (ADM 5420.101G). This order outlines the organization and responsibilities of the GSA Management Control Oversight Council.

n. Chief Financial Officer Delegations of Authority (CFO P 5450.1). This order outlines the delegations of authority from the CFO to Regional Administrators and officials in OCFO.

o. Claims for Loss of or Damage to Personal Property Incident to GSA Service (ADM 6200.3B). This order provides procedures and requirements for filing, settling, and paying claims of employees of GSA under 31 U.S.C. §§ 3701 and 3721 for loss of and damage to personal property occurring incident to service. The provisions in this order should not be considered as a substitute for obtaining private insurance.

CHAPTER 2. AGENCY ROLES IN GOVERNMENTWIDE POLICY SETTING BETWEEN GSA, GAO, OMB, AND TREASURY

1. General. Within the Federal Government, primary responsibility for issuing accounting and financial management policy guidance to executive branch agencies is divided among OMB, Treasury, and GAO. These entities possess legal authority under various laws to establish accounting and financial reporting standards for the Federal government. They created FASAB to develop accounting standards and principles to implement the requirements of any financial legislation issued by Congress.

2. Office of Management and Budget.

a. OMB responsibilities.

(1) Develop and improve the government's system of budget control and review.

(2) Develop and execute a Governmentwide management agenda that includes information technology, financial management, procurement, performance, and human resources.

(3) Coordinate and review all significant Federal regulations including paperwork reduction.

(4) Review and evaluate agencies' compliance with congressional requirements.

(5) Develop Governmentwide information system policy and oversee automatic data processing in the executive branch.

b. OMB circulars, bulletins, and memoranda. OMB circulars, bulletins, and memoranda are used to communicate various instructions and information to Federal agencies. Circulars are used when the nature of the subject matter is ongoing. Bulletins are used when the subject matter requires single or one-time action by the departments or is of a transitory nature. Memoranda are used when the subject matter is urgent.

3. U. S. Department of the Treasury.

a. Treasury's responsibilities. Treasury is charged with the general duties of supervising and managing the government's finances.

(1) The Secretary of the Treasury manages the Federal financial system, including cash management, debt management, government banking, central accounting, and collection and disbursement of public money. The Secretary also exercises central control of Governmentwide financial reporting systems.

(2) Fiscal responsibilities for Governmentwide accounting reside in Treasury Fiscal Service. Fiscal Service provides leadership in overseeing Governmentwide cash management improvement initiatives, and is responsible for transforming the current Governmentwide accounting system into a multi-purpose financial management database. Specifically, Fiscal Service maintains the USSGL, tracks appropriations and government investments, and reconciles deposits made by government agencies and checks drawn on Treasury. Fiscal Service is responsible for developing and maintaining Governmentwide banking, and accounting for selected trust and revolving funds and for other miscellaneous accounts.

b. Treasury Financial Manual (TFM). The TFM is Treasury's official publication for financial accounting and reporting of all receipts and disbursements of the Federal Government. The Fiscal Service issues the TFM to provide policies, procedures, and instructions for Federal agencies. TFM Volume 1 contains instructions in areas of central accounting and reporting, payrolls, deductions and withholdings, disbursing deposit regulations, and other fiscal matters. The TFM consists of several types of releases: chapters, bulletins, announcements, or supplements.

(1) Chapters are used to update procedures or to provide new instructions when changes happen to the systems, services, or applicable laws.

(2) Bulletins are used to provide instructions or requirements, or to provide immediate notice of changes. Bulletins have a retention date and may be or may not be codified into a TFM chapter at a later date.

(3) Announcements cover one-time events and are not codified into a TFM chapter.

(4) Supplements provide detailed instructions and guidance for financial reporting and accounting procedures.

4. Government Accountability Office.

a. GAO responsibilities.

(1) Audit agency operations to determine whether Federal funds are being spent efficiently and effectively.

(2) Investigate allegations of illegal and improper activities.

(3) Report on how well government programs and policies are meeting their objectives.

(4) Perform policy analysis and outline options for congressional consideration.

b. Comptroller general decisions. The Comptroller General, head of the GAO, issues legal decisions, opinions, and reports on bid protests, appropriations law, and other issues of Federal law. The Comptroller General is also required by statute to report to congressional committees about certain Federal vacancies and on major rules proposed by Federal agencies. The GAO Office of General Counsel is responsible for carrying out these functions and issuing decisions, opinions, and reports:

(1) Bid protests. GAO decisions addressing protests filed by companies seeking Federal contracts that believe contracts have been, or are about to be, awarded in violation of the laws and regulations that govern contracting with the Federal Government.

(2) The Red Book. An appropriations law resource, officially entitled Principles of Federal Appropriations Law including its annual update. The Red Book is a complete reference to Federal court and Comptroller General case law on appropriations.

(3) Appropriations law resources. Decisions and opinions on appropriations issues and information on GAO's appropriation law training and annual forums.

(4) Antideficiency Act reports. Includes background on ADA, how agencies submit copies of ADA reports to the Comptroller General, and information drawn from agencies' reports of ADA violations.

(5) Contract Appeals Boards. Staffed by GAO attorneys to consider appeals of contracting decisions made by various legislative branch agencies, primarily the Government Printing Office and the Architect of the Capitol.

(6) Federal Vacancies Act reports. Reports tracking the temporary filling of vacant executive agency positions that require presidential appointment with Senate confirmation.

(7) Congressional Review Act reports. Reports summarizing and assessing procedural requirements for the promulgation of Federal agencies major rules.

5. General Services Administration.

a. GSA responsibilities. GSA provides a wide variety of property management and related services for the government and prescribes the necessary policies for executive agencies' property operations. The OCFO prepares the required financial reports to ensure overall compliance with OMB and Treasury requirements. See ADM P 5450.39D, Ch 8, Delegation of Authority from the Administrator to the OCFO.

b. GSA policies. The policies, procedures, and regulations prescribed by the Administrator apply to the extent specified in the Federal Property and Administrative

Services Act (40 U.S.C. 101) or other applicable laws. They cover such topics as: (1) Personal Property, (2) Real Property, (3) Transportation, and (4) Travel.

c. Office of the Chief Financial Officer. The OCFO has the responsibility to formulate financial management and accounting policies for the agency. The Office of Financial Management, Financial Policy Division formulates and provides accounting policy for the OCFO. The Office of Financial Management, Financial Policy Division evaluates and interprets existing, new or revised laws and regulations including OMB Circulars, FASAB pronouncements, Treasury regulations, Federal Acquisition Regulations and GAO decisions that impact GSA financial policy and operations.

(1) The Office of Financial Management, Financial Policy Division generates the following directives based on the new laws, regulations, audit findings, or best practices.

(a) Policy. Accounting policies are written statements that interpret financial principles, standards, laws, regulations, and guidance for an organization. That is financial policy statements identify how the financial principles, standards, laws, regulations, and guidance will be applied in an organization. It outlines specific requirements and instructions to follow when conducting GSA's mission, programs, and operation. It is used to achieve organizational goals and aid in decision-making. It is usually expressed in broad terms, answers statements of "what" and/or "why", and addresses major operational issues. Policies are included in handbooks or manuals and contain administrative guidelines that apply to all GSA. Most of the time policy statements will be supported by clarifying procedures statements.

(b) Instructional Letter (IL). An Instructional Letter is a temporary directive, issued when there is an immediate need to inform personnel of the latest policy and procedures while a permanent order or manual is being prepared. ILs are issued for one year and may be extended under extenuating circumstances. ILs must be incorporated in policy manuals or handbooks prior to their expiration.

(c) Policy memorandum. A Memorandum is used to provide policy guidance or clarification.

(2) Any organizational level of GSA may prepare additional clarifying instructions for policy compliance by issuing a standard operating procedures (SOP) or desk guide procedures. These SOP or desk guide procedures may be submitted to the Office of Financial Management, Financial Policy Division for review to ensure policy compliance.

(a) Standard operating procedures. SOPs are prepared and written within a work unit. SOPs may:

1. Provide instruction about how a policy is implemented.

2. Document a routine or repetitive activity followed within an organization.

3. Communicate who will perform a task, what materials are necessary, where the task will take place, when the task shall be performed, and how the person will execute the task.

4. Standardize a process and provide step-by-step how-to instructions that enable anyone within the operation to perform the task in a consistent manner.

The SOP document serves as an instructional resource that allows employees to act without asking for directions, reassurance, or guidance. The main difference between a SOP and a policy is the level of procedural details included.

(b) Desk guide procedures. A desk guide, like the SOP, is prepared within work unit. Desk guide procedures can be a great resource for employees, especially if multiple employees perform similar tasks, or if certain tasks must be performed in a specific way. Desk guides include instructions on how to use the desk guide procedures, definitions of procedures or processes, information about when and where to get help, and other resources and references.

CHAPTER 3. ACCOUNTING CLASSIFICATION, GENERAL LEDGER CHARACTERISTICS, AND CODING (RESERVED)

CHAPTER 4. FINANCIAL ACCOUNTING SYSTEM

1. General. The GSA core financial accounting system of record is Pegasys. Pegasys is an integrated financial management system that provides extensive functionality to record accounting and budgeting activities. Pegasys uses a 3-tiered architecture consisting of a presentation tier (user PC's), application servers, and database servers. The presentation tier handles interaction with the user and only allows users to see functions for which they are authorized. The application tier performs all business logic for applications, including reference data validation, security checks, spending controls, and general ledger updates. The database tier stores all application data and user specific data such as preferences, desktop, and contents.

2. Processing functions.

a. Accounting codes. Accounting data elements have been organized into accounting templates in Pegasys. The accounting template contains associated accounting dimensions, such as fund code, program code, region code, organization code, sub-object class, and activity code.

b. Input processing. GSA organizations enter accounting transactions via input screens in Pegasys. Some accounting transactions are generated by interfaces between Pegasys and external GSA systems such as the Federal Supply System/Fleet Autopay or the Payroll Accounting and Reporting system.

c. Report generation. Queries and printed reports are available online in the Pegasys Reports Portal. Financial Reports Online provides users with up-to-date daily, monthly, preliminary, and annual reports produced by Pegasys. These reports are available in Portable Document Format and Comma Separated Values format at Pegasys.gsa.gov.

3. System controls.

a. Access to Pegasys. Access to Pegasys is restricted to employees of GSA and other select, authorized personnel. Each Pegasys user is required to have a unique user identification and a password to gain access to the system. In addition, each user access is also limited by Security Organization codes and system roles and approvals provided under the Security Organization. The user identification and password determine the user's rights and approval roles within the system for reviewing, creating and processing accounting transactions, accessing tables, and performing queries.

b. Segregation of duties. Key duties and responsibilities in authorizing, processing, recording, and reviewing official GSA transactions should be separated among individuals. The role gives the user the ability to create and process documents. The approval type gives the user the ability to approve documents prior to processing. The following roles and approval types of individuals are set in Pegasys to avoid potential conflicts.

(1) Only warranted contracting officers shall have authority to approve a purchase order, thereby obligating government funds.

(2) No individual shall maintain the Contracting Officer (CO) role, the Purchasing – CO approval type and receiver role. COs should not be assigned receiving roles in the financial accounting system of record. If the receiving role needs to be assigned to the COs, the Head of Service or Staff Office or Regional Commissioners must submit, in writing to the Director of the Office of Financial Management, a request for waiver containing a specific and compelling business justification explaining why the receiving role cannot be assigned to other individuals. The Head of Service or Staff Office or Regional Commissioners will be promptly notified of the approval or denial of the request. If a CO is approved for the dual roles, all transactions executed with the dual roles will be subject to regular audits and reviews to ensure proper segregation of duties (e.g., CO is performing the receipt on behalf of others).

(3) The accounting system user assigned the “CO/Specialist” role should not be assigned the “Open Items Certifier” role.

(4) Purchase Request/Direct Pay Approval types – The three approval types are:

(a) Manager/Direct Pay Approver – an approval applied by the requester’s manager that indicates specified goods or services may be requested or by a person authorized to approve direct pay transactions.

(b) Accounting Classification – an approval applied by an analyst that indicates that appropriate accounting strip information was applied to the request.

(c) Funds Authorization – an approval applied by a budget analyst that certifies funds are available for the accounting strip specified on the request.

(5) The following combination approval types will be permitted for direct pay (invoices that do not require a receiving report) and purchase requests in the financial accounting system of record. No other combination of roles will be permitted.

(a) Manager or Direct Pay Approver and Accounting Classification.

(b) Accounting Classification and Funds Authorization.

4. <u>System features</u>. The following are brief descriptions of the modules implemented in Pegasys.

a. <u>Accounts payable</u>. Authorize payments to vendors, employees, or other agencies for goods or services provided.

b. Automated disbursements. Execute payments in accordance with prompt payment rules and other Federal requirements.

c. Billing and Accounts Receivable. Perform billing and collection functions.

d. Budget execution. Establish budgets and control levels, distribute funds, and validate and monitor spending.

e. Central Contract Registry Connector. Update and transfer vendor data electronically from System for Award Management.

f. Cost allocation. Track the cost per unit and other performance measures in accordance with cost management standards and GPRA performance tracking.

g. Charge card. Log purchase card transactions, reconcile purchases to bank statements, and generate payments to maximize rebates.

h. External reporting. Create preliminary reports, adjust reports, and generate the final reports required by Treasury and OMB.

i. Fixed assets. Track capitalized and accountable properties from acquisition to disposal, including asset depreciation.

j. General ledger. Manage GSA specific account hierarchies that roll up to the USSGL requirements.

k. Lease management. Allow GSA to enter and save lease contract information; update lease terms and conditions; and create and process lease payments and any other necessary documents for each lease contract serviced by GSA.

l. Planning and projection. Control spending against annual and multiyear operating plans independent of the formal budget.

m. Project cost accounting. Track project costs incurred, record reimbursable agreements, distribute project costs, and manage billing and collection activity.

n. Purchasing. Record the financial effect of product or service purchases, including commitments, obligations, receipts, and invoices.

o. Standard reports. Access prepackaged management reports on topics ranging from general ledger activity to staff workload.

p. Web presentment. Enable electronic interaction with vendors for procurement and invoicing activities.

CHAPTER 5. ACCOUNTING AND INTERNAL CONTROL PRINCIPLES AND STANDARDS

1. General. Federal agencies are subject to numerous legislative and regulatory requirements that promote and support effective internal control. Effective internal controls are a key factor in achieving mission and program results through improved accountability. Identifying internal control weaknesses and taking related corrective actions are critically important to create and maintain a strong internal control infrastructure that supports the achievement of agency objectives. Internal controls are the first line of defense in safeguarding assets and detecting and preventing fraud, waste, abuse, and mismanagement.

2. OMB Circular A-123. OMB Circular A-123 defines management's responsibility for internal controls and provides guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on internal controls. OMB Circular A-123 is the primary OMB guidance for FMFIA and has the following components:

a. OMB Circular A-123, Appendix A, Internal Control Over Financial Reporting. OMB Circular A-123, Appendix A prescribes a strengthened management process for assessing the effectiveness of internal controls over financial reporting. It serves to emphasize management's focus on ensuring that effective internal controls over financial reporting are established and maintained throughout the agency. The GSA management plan includes a comprehensive program to complete the assessment of internal controls over financial reporting using five steps: (1) planning; (2) evaluating controls at the entity level; (3) evaluating controls at the process level; (4) testing controls at the transaction level; and (5) concluding, reporting, and correcting deficiencies and weaknesses.

b. OMB Circular A-123, Appendix B, Improving the Management of Government Charge Card Programs. OMB Circular A-123, Appendix B prescribes policies and procedures for maintaining internal controls that reduce the risk of fraud, waste, and error in government charge card programs. Under this appendix, each agency must develop and maintain written policies and procedures for the appropriate use of charge cards consistent with the requirements of this guidance. A government charge card is an account established by a commercial financial institution (charge card vendor) for purchasing goods or services that may be charged on behalf of the government. The terms "charge card," "card," "purchase card," "travel card," and "fleet card" are government charge cards covered under Appendix B. This Appendix also requires government charge card management plans for each type of card issued by GSA. The GSA management plan must be updated annually to assure that a system of internal controls is followed to minimize the potential for fraud, misuse, and delinquency. GSA shall submit a copy of its plan to the OMB, Office of Federal Financial Management, on an annual basis, no later than January 31 of each calendar year. This submission is made by the Office of Administrative Services.

c. OMB Circular A-123, Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments. OMB Circular A-123, Appendix C implements the requirements of IPERIA of 2012 (Pub. L. 112-248 and Improper Payments Elimination and Recovery Act of 2010 (Pub. L. 111-204). IPERIA will improve the determination of improper payments by agencies, improve recovery of improper payments, and reinforce and accelerate the President's "Do Not Pay" efforts. Improper Payments Elimination and Recovery Act requires program officials to implement plans to reduce significant erroneous payments. The plans must include annual estimates of erroneous payments and the activities and agency progress in reducing them. This information is required to be reported to OMB and Congress, as well as included in the Agency Financial Report.

d. OMB Circular A-123 Appendix D, Compliance with the Federal Financial Management Improvement Act of 1996. OMB Circular A-123 Appendix D provides a framework for Federal agencies to develop financial management systems that generate reliable, timely, and consistent information necessary for meeting management's responsibilities, including the preparation of financial statements. This appendix defines new requirements for determining compliance with the FFMIA. The goal is to reduce the cost, risk, and complexity of financial system modernizations and to provide additional flexibility for Federal agencies to initiate smaller-scale financial modernizations as long as relevant financial management outcomes (e.g., clean audits, proper controls, timely reporting) are maintained. The appendix specifically addresses how FFMIA applies to shared services providers and agency customers and each agency must ensure that the electronic and information technology developed, procured, maintained, or used is accessible to individuals with disabilities as required by Section 508 of the Rehabilitation Act.

3. Agency Internal Control Program Handbook (ADM P 5400.41B). This handbook establishes the Agency Internal Control Program to ensure that GSA has a strong internal control environment. Continual assessment and evaluation of internal controls is imperative for managers to provide accountability of their programs and to ensure that the mission of the agency is carried out efficiently, effectively, and in compliance with laws and regulations. This handbook outlines the policies, definitions, responsibilities, and procedures of the Agency Internal Control Program. Responsibilities include evaluating and testing internal controls, performing risk assessments, issuing assurance statements, and identifying, reporting, and correcting internal control weaknesses. GSA tracks corrective actions for material weaknesses and significant deficiencies in internal controls related to financial reporting and program operations.

CHAPTER 6. ACCRUAL BASIS OF ACCOUNTING

1. Statutory law requirement.

a. In accrual basis accounting, income is reported in the fiscal period it is earned, regardless of when it is received, and expenses are deducted in the fiscal period they are incurred, whether they are paid or not. The accrual basis of accounting measures the performance and position of GSA by recognizing economic events regardless of when cash transactions occur. The accrual basis of accounting is required under 31 U.S.C. § 3512(e) as follows: **"**To assist in preparing a cost-based budget under section 1108 (b) of this title and consistent with principles and standards the Comptroller General prescribes, the head of each executive agency shall maintain the accounts of the agency on an accrual basis to show the resources, liabilities, and costs of operations of the agency. An accounting system under this subsection shall include monetary property accounting records".

b. GSA must comply with accrual accounting concepts, maintain appropriate records, and record transactions as required. Accrual-based accounting is an important and required form of control over resources and results in a systematic record of transactions that must be recorded to ensure an accurate record of GSA financial resources. Accrual accounting requirements are applicable to all programs, including general and special funds, revolving funds, trust funds, and deposit funds. Accruals should be computed and recorded in the financial accounting system of record for each accounting period and at year-end as determined by management.

c. An accrual (estimation) methodology provides valid and timely financial estimates and should be properly disclosed in notes to the financial statements. GSA management is responsible for making judgments or assumptions that affect significant accounting estimates and for monitoring the reasonableness of these estimates on an ongoing basis. An accounting estimate means an approximation of the amount of an item in the absence of a precise means of measurement. As a result, the risk of material misstatement is greater when accounting estimates are involved. Any accrual estimating methodology must be reviewed at least annually to determine if the assumptions used are still valid or require modification.

2. Specific accrual accounting policy guidance.

a. General. The guidance sets forth basic principles, requirements, and techniques for accounting on an accrual basis, whereby financial transactions are recorded in the period of occurrence, even though the related cash is disbursed or received in another fiscal period. The basis of constructive receipt of goods and services is used without waiting for physical delivery to, or acceptance by, the government and is applicable to some GSA business lines.

b. Frequency of accruals. Accruals are computed and recorded in the financial accounting system of record for each accounting period, which is generally monthly, as determined by management. When expenditure data is not available, estimates should be recorded in the financial accounting system of record and adjusted when actual expenditures are available.

c. Documentation. Documentation reflecting computation and support for accruals and analysis of accuracy of accruals shall be retained for reference and audit. For retention period, see GSA File Plan Schedule 08, Financial Management and Budget Records.

d. General guidelines.

(1) Prepayments. Prepayments and advances to employees, contractors, grantees and others should not be reported as expenditures until performance occurs. In the meantime, advances and prepayments should be recorded and reported as assets. Such asset accounts should be reduced, in whole or in part, as the expenditures are incurred and reported.

(2) Progress towards completion. The measure of accrued expenditures under contracts for work to the government's specifications is the amount of work performed in the period, not the amount of any progress payments that may be made.

(3) Accrued liabilities. When GSA accepts title to goods, whether the goods are delivered or in transit, GSA should recognize a liability for the unpaid amount of the goods. If invoices for those goods are not available when financial statements are prepared, the amounts owed should be estimated. Such accruals may be estimated on the basis of available information and previous experience. When a contractor builds facilities or manufactures goods or equipment to the government's specification, the liability to pay for work is incurred as it is performed by the contractor rather than when deliveries are made.

(4) Contingent liabilities. SFFAS No. 5, as amended by SFFAS No. 12, states that a contingent liability should be recognized when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable and the future outflow or sacrifice of resources is measurable. GSA management, as advised by the Justice Department, must determine whether it is probable that a legal claim will end in a loss for GSA and the loss is estimable. If the loss is probable and estimable, GSA would recognize an expense and liability for the full amount of the expected loss. The expense and liability would be adjusted periodically, as necessary, based on any changes in the estimated loss. The Federal entity involved in the litigations shall discuss, in a footnote to the financial statements, the Judgment Fund’s role in the payment of a possible loss.

(5) Accounts receivables. It is necessary for management purposes to record the accrued accounts receivable for goods and services and performance rendered to

others for which no bills have been submitted or payments have been received at the end of the quarter, or for which amounts due at the time of the event that gives rise to a claim. Such accruals may be estimated on the basis of available information and previous experience. Receivables shall be reversed (liquidated) when they are collected or converted into other resources or determined to be uncollectible in whole or in part.

(6) Expenditures. In the absence of invoices or other available data, reasonable estimates shall be used to accrue the cost of goods or services received before the end of a reporting period. Some of the basis to record accrued expenditures are as follows:

(a) Receiving reports showing quantities received and determining whether a given shipment is complete or partial are useful in determining the amount of the accrual when the invoice has not been received.

(b) Payroll, travel and other vouchers received/prepared but not yet paid.

(c) Where an obligation is recorded covering the expenditure, which accrued within an accounting period, the obligation figure may be the best estimate of the amount of the expenditure incurred.

(d) The prior month actual accrual or a trend of several previous months may be used when estimating a current month accrual.

(e) If reports from contractors or grantees are not available or are not feasible, estimates should be obtained from project managers or other operating officials who are familiar with progress under the contract.

(f) Sampling and other statistical methods may be used to make estimations in cases where dollar amounts are relatively low but the number of transactions is high. The method used and the reasons for its selection should be documented and kept on file.

(7) Revenue. Record all income earned during the accounting period before closing the accounts. Record income directly from billing documents when appropriate. Some examples of the basis to record accrued revenues are as follows:

(a) Goods and services provided and not billed due to timing and/or lack of documents during the month.

(b) Revenue from commodity orders shall be recognized on delivery.

(c) Any interest, penalty, and administrative costs chargeable to non-Federal receivables must be accrued.

(d) Cost records funded by reimbursable agreements must be accrued.

CHAPTER 7. IMPREST FUND

1. Policy. Treasury requires all Federal agencies to eliminate the use of imprest funds except for waived payments. Imprest funds are labor intensive, require relatively more internal controls than non-cash payment mechanisms, and the government does not earn interest on money held in these accounts.

2. Waivers. Waivers from the imprest fund policy are conditioned on the payment being waived under 31 CFR 208.4 and on satisfying one of the specific imprest fund waivers. The agency making the payment is solely responsible for determining if the waiver criteria are met. There is no requirement that agencies consult Treasury prior to granting a waiver. SSOs may request a waiver in writing to the Director of the Office of Financial Management. A payment by electronic funds transfer is waived in accordance with the provisions of 31 CFR 208, Management of Federal Agency Disbursements, at 208.4, waivers in reference to hardships, and one of the following exceptions apply:

a. Payments involve national security interests, military operations, or national disasters;

b. Payments are made in furtherance of a law enforcement action;

c. Amount owed is less than $25;

d. Political, financial, or communications infrastructure of a foreign country does not support payment by a non-cash mechanism; or

e. Payments are made in emergencies, or in mission critical circumstances, that due an unusual and urgent circumstance, the government would otherwise be seriously injured unless payment is made by cash.

3. Procedures and instructions for handling waivered imprest funds. The cashiers and officials designated to appoint cashiers (approving officials) should use the Cashiers Manual located on the Fiscal Service website (http://fms.treas.gov/imprest) for operating waivered imprest funds. This manual addresses internal controls for safekeeping of assets, separation of duties, monitoring, and other activities.

4. Alternatives to imprest funds. The GSA SmartPay program provides Federal agencies with commercially accepted credit cards to pay for travel, fleet, and purchase-related items and services. GSA provides services for all SSOs via a SmartPay contract.

CHAPTER 8. SURPLUS FUNDS

1. Requirement. Surplus funds are required to be returned to Treasury as miscellaneous receipts under 31 U.S.C. § 3302(b): General Services Modernization Act, Section 321, and Pub. L. 111-8: Omnibus Appropriations Act, 2009, Section 518 as amended in 40 USC 321(f). The Administrator determines the cost and capital requirements of the Acquisition Services Fund and Working Capital Fund each fiscal year and, in consultation with the CFO, develops a plan concerning these requirements. At the close of each fiscal year, after provisions for anticipated operating needs reflected in the cost and capital plans, the uncommitted balance of any funds remaining are to be transferred to the Treasury's general fund as miscellaneous receipts in accordance with all laws and regulations.

2. Submission of cost and capital plans. By April 30 of each year, the Office of Budget, FAS Budget Division will submit their cost and capital plan to the CFO for approval, identifying legal use of retained earnings from the prior fiscal year balance and any surplus to be returned to Treasury. Upon approval of the plan, within 60 days, the OCFO will book a liability to reflect any surplus and remit funds to Treasury. Funds may be retained as follows:

a. Acquisition Services Fund has authority to retain earnings from operating surplus to cover:

(1) A sufficient level of inventory of personal property to meet the needs of Federal agencies;

(2) The replacement cost of motor vehicles; and

(3) Other anticipated operating needs reflected in the cost and capital plan.

b. Working Capital Fund has authority to retain earnings for:

(1) Operating costs and capital outlays of the fund;

(2) Necessary expenses of administrative support services, including maintenance and operation of printing and reproduction facilities in support of the functions of GSA, as well as Federal entities in accordance with laws and regulations; and

(3) Transfer and use of amounts for major equipment acquisitions - unobligated balances of amounts appropriated or otherwise made available to GSA for operating expenses. Salaries and expenses may be transferred and merged into the 'major equipment acquisitions and development activity' of the working capital fund for agency-wide acquisition of capital equipment, automated data processing systems and financial management information and management information systems, provided that

acquisitions are limited to those needed to implement the CFO Act and related laws and regulations. The requirements and availability are:

(a) Time for transfer. Transfer must be done no later than the end of the fifth fiscal year after the fiscal year for which the amount is appropriated or otherwise made available.

(b) Approval for use. Amount may be used only with the advance approval of the Committees on Appropriations of the House of Representatives and the Senate.

(c) Availability. Amount transferred remains available until expended.

CHAPTER 9. PROPERTY AND EQUIPMENT

1. General. These policies and procedures establish internal controls over acquisition, capitalization, depreciation, impairment, and disposal of property and equipment that are consistent with the following FASAB standards.

- SFFAS 6, Accounting for Property, Plant, and Equipment (PP&E)
- SFFAS 10, Accounting for Internal Use Software
- SFFAS 11, Amendments to Accounting for PP&E: Definitions (amends SFFAS 6 and 8)
- SFFAS 16, Amendments to Accounting for PP&E: Multi-use Heritage Assets
- SFFAS 29, Heritage Assets and Stewardship Land
- SFFAS 35, Estimating the Historical Cost of General Property, Plant, and Equipment: Amending SFFAS 6 and 23
- SFFAS 40, Definitional Changes Related to Deferred Maintenance and Repairs: Amending SFFAS 6, Accounting for Property, Plant, and Equipment
- SFFAS 42, Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32
- SFFAS 44, Accounting For Impairment of General Property, Plant, and Equipment Remaining In Use
- Federal Financial Accounting Technical Release (TR) 14, Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment

2. Definitions.

a. Administrative equipment. Administrative equipment consists of desks, chairs, tables, bookcases, storage cabinets, filing cabinets, automated data processing equipment, typewriters, photocopiers, microfilm readers, calculators, and other similar items used in office and administrative support.

b. Amortization. Amortization for intangible assets is determined by using the criteria for depreciation. Intangible assets are items with economic value that lack physical substance, such as assets leased under a capital lease agreement. GSA amortizes intangible assets on a straight-line basis for periods of no longer than 40 years.

c. Appraised value. Appraised value is the value estimated for property based upon its usefulness to GSA, condition, estimated market value, or amount GSA is willing to pay to replace the property.

d. Artwork. Artwork which is a permanent part of a building is considered real property artwork. Real property artwork consists of statues, murals, fountains and similar assets. Artwork not affixed to a building is considered personal property. Personal property artwork consists of movable paintings, photographs, prints, mobiles, wall hangings, statues, or sculptures.

e. Betterment. Betterment is an upgrade or addition to an existing fixed asset that increases the value and/or useful life of the asset. Betterments enhance assets and consequently, are managed together with the asset.

f. Capitalized value. An appraised value or amount at which a piece of equipment was acquired. The full cost of a piece of equipment includes the amount paid for acquisition, transportation, installation, and related costs incurred to bring the equipment to a form and location suitable for its intended use. When the equipment is capitalized, it is recorded at full cost as an asset and depreciation is required.

g. Equipment. Equipment is tangible property (other than land or buildings) of more or less durable nature, which is useful in operations of GSA, e.g. machines, tools, and vehicles.

h. Cafeteria equipment. Cafeteria equipment includes vending machines, dry cleaning and laundry equipment, and barber shop equipment when they are operated in conjunction with the cafeteria or refreshment stand. Accounting policy and procedures for cafeteria equipment are the same as for other property.

i. Equipment in use. This is GSA-owned equipment physically assigned to an organizational unit, employees of GSA, or on loan to other agencies or members of Congress.

j. Equipment in temporary storage. This consists of equipment in storage for standby purposes to be used for later assignment, transfer, or sale. This category does not include equipment used seasonally or periodically during each year even though such equipment is stored temporarily when not in use. The cost of storing items is expensed and is not a part of the cost of the equipment.

k. Operating equipment. Operating equipment consists of automated data processing equipment, reproduction and printing equipment, lift trucks, machine tools, woodworking tools, power lawn mowers, power cleaning equipment, and other similar items not related to office equipment.

l. Excess/surplus personal property. Excess/surplus personal property includes assets that no longer provide intended service to GSA operations.

m. Fixed asset. Long-term, tangible asset held for business use that is not expected to be converted to cash in the current or upcoming fiscal year.

n. Heritage assets. Heritage assets are property, plant, and equipment that are unique for one or more of the following reasons: (1) historical or natural significance; (2) cultural, educational, or artistic (e.g., aesthetic) importance; or (3) significant architectural characteristics. Heritage assets are generally expected to be preserved indefinitely.

o. Impairment. Impairment is a significant and permanent decline in the service utility of property and equipment. Specific guidance on accounting and reporting impairment of general property and equipment are detailed in Chapter 10.

p. Multi-use heritage assets. Multi-use heritage assets are heritage assets that serve two purposes: (1) a heritage function and (2) use in general government operations. For example, the GSA Headquarters Building at 1800 F Street NW is classified as a mixed heritage asset because it contains the “Historic Suite”.

q. Net book value. Current value of an asset as reflected in the account (e.g. capitalized value minus depreciation allowance to date).

r. Real property. Real property includes land, buildings, artwork, and improvements added to the property that are permanent in nature (e.g., land improvements, major repairs and alterations, and leasehold improvements).

s. Renovation. Renovation is the repair and refinishing of an item of property to its original condition for the purpose of extending its useful life. Major repairs, conversions, or overhauls to the property that require substantial outlays are capitalized if the useful life of the property is materially increased beyond normal replacement standards, or the value of the property is materially increased by changing its physical characteristics. All other maintenance and repair costs are expensed.

t. Salvage value. Estimated value of an asset expected to be realized at the end of its useful life.

u. Scrap. Scrap is personal property that has no value except for its basic material content.

v. Sensitive items. Sensitive items are property that is subject to pilferage, theft, loss, or conversion to personal use (e.g., laptop computers, mobile phones, and audio/visual equipment).

w. Useful life. Useful life is the normal operating life in terms of utility to the owner of an asset for its intended purpose without renovation. The useful life of an asset is not determined by how long the item can last, but rather how long it is expected to be fully useful in its current form before becoming obsolete.

3. Capitalization, depreciation and removal.

a. Asset capitalization. Capitalization is required for administrative and operating assets including group and non-group, betterments, real property, and internal use software that are durable in nature and have a useful life of at least two years. The capitalization amount is the full cost of an asset including the amount paid for acquisition, transportation, installation, and related costs incurred to bring the asset to a form and location suitable for its intended use.

b. Depreciation. Depreciation amount is the systematic and rational allocation of the acquisition cost of an asset, less the estimated salvage value, over the asset's estimated useful life. GSA uses the straight-line method to depreciate assets. Depreciation is calculated from the date of acquisition or the in-service date. The depreciation amount is the number of days multiplied by the daily depreciation rate.

c. Removal.

(1) GSA removes general Property and Equipment from the asset accounts along with associated accumulated depreciation/amortization in the period of or prior to disposal, retirement or removal from service, if the asset no longer provides service in the operations and there is documented evidence of management decision to permanently remove the asset from service (TR 14 par. 10).

(2) Group assets are removed from the asset accounts when the entire group has been permanently removed from service (e.g., as if the entire group was one asset) (TR 14 par. 16).

(3) Any difference between the book value of the Property and Equipment and amounts realized shall be recognized as a gain or a loss in the period that the general asset is disposed of, retired, or removed from service (SFFAS 6 par. 38). Amounts realized include cash received for scrap materials or fair value of items received in exchange for the asset removed from service.

4. Capitalization threshold and depreciation schedule.

a. Group assets. Capitalization is required for group assets that collectively cost $10,000 or more per item or per purchase order. Depreciation for group assets is required for financial statement reporting. Some group assets are listed below with a standardized depreciation schedule:

	Useful Life
(1) Modular furniture systems	5 years
(2) Personal computer workstations	3 years
(3) Local Area Network equipment	4 years
(4) Video conferencing equipment and office phone systems	4 years
(5) Playground equipment	10 years

b. Non-group assets. Capitalization is required for non-group assets that cost $10,000 or more per item or per purchase order. Some non-group assets are listed below with a standardized depreciation schedule:

Useful Life	
(1) Office furniture	5 years
(2) Automated data processing hardware	5 years
(3) Telecommunication equipment	up to 10 years
(4) Cafeteria equipment	10 years
(5) Compactor, sweeper, metering, tractor	10 years
(6) Fork-lift	15 years
(7) Generators	15 years
(8) Motor vehicles	4 to 6 years (determined by FAS based on vehicle class)
(9) Other equipment	5 years

c. Betterments. Capitalization is required for betterments of personal property that cost $10,000 or more. Betterments do not include maintenance costs. The useful life of betterments requires approval of the Office of Financial Management, FAS Financial Services Division or PBS Financial Services Division, and/or the Head of Service or Staff Office.

d. Real property assets.

(1) The capitalization threshold for all PBS real property is $50,000. The $50,000 capitalization threshold applies to both acquisition and after acquisition costs of real property, which includes land, buildings, additions, betterments, repairs and alterations, and leasehold improvements.

(2) Buildings are depreciated; however, the land on which the buildings are situated is not. When purchasing a building, the cost of the land must be subtracted from the total cost of the property to determine depreciation expense for the building. Some real property assets are listed below with a standardized depreciation schedule:

	Useful Life
(a) Leasehold improvement term	5 years not exceeding lease term
(b) Buildings (pre 1974)	Remaining useful life or 30 years
(c) Buildings (post 1974)	30 years

(d) Major renovation	20 years
(e) Minor renovation	10 years

e. Internal use software.

(1) Capitalization. Capitalization is required for internal use software whether it is commercial off-the-shelf, contractor developed, or internally developed to meet GSA's internal or operational needs. Capitalization amount should include:

(a) Commercial off-the-shelf – amount paid to vendor for software including costs to customize or modify the product and material internal cost incurred by GSA to implement the commercial off-the-shelf;

(b) Contractor developed – amount paid to contractor to design, program, install, and implement the software;

(c) Internally developed – amount paid for salaries of programmers, system analysts, project managers, administrative personnel, associated employee benefits, outside consultants, fees, rent of space, supplies, etc.

(2) Costs. All data conversion costs to the new software should be expensed.

(3) Capitalization threshold. The capitalization threshold for software development for the Federal Buildings Fund is $1 million and $250,000 for all other funds. Amortization is required over the estimated useful life of the software. The standard amortization is:

	Useful Life
Internal use software	3 to 10 years

f. Procurement, management, and maintenance of information technology resources.

(1) The Office of GSA Information Technology (GSA IT) is tasked with the procurement, management, and maintenance of information technology resources, including but not limited to: computer workstations, wireless devices, and printers. As GSA IT procures information technology equipment on behalf of SSOs, GSA IT will directly cite the SSO funding for all orders over $10,000. While GSA IT will be the custodian of record, the SSO will take ownership of the assets by recording them within their fund and capitalizing and depreciating assets in accordance with official policy.

(2) Hardware or software that can be shared or used by others, but if at the time of procurement is intended for a specific SSO, it will be purchased with the SSO's fund citation. Examples include: hardware for new applications or pilots, software to add a SSO to an existing application, network hardware where a location is dedicated to a

specific SSO but might eventually house another SSO, or additional storage components required for a specialized SSO function.

(3) Hardware or software that will be shared or used by the entire agency will be purchased using the GSA IT fund citation and capitalized in accordance with policy. Examples include: shared networking equipment, shared storage devices and/or storage, shared file servers, and common infrastructure components (i.e., e-mail, collaboration, enterprise software licenses).

5. Fixed assets module. GSA maintains a Fixed Assets module within Pegasys that expedites asset accounting and reporting processes. The module provides direct monitoring and control of the asset's value, tracks financial information related to acquisition, betterments, operation and maintenance, depreciation, and disposal. It provides a detailed audit trail of all asset-related activity. Examples of fixed assets maintained by GSA are Fleet vehicles, personal property (e.g., operating equipment and administrative equipment), and real property (e.g., land, buildings, artwork, and improvements). GSA will only track capitalized real and personal property assets in the fixed assets system.

6. Fixed asset records.

a. General. GSA enters personal property asset records (except for vehicles) directly into the Pegasys Fixed Assets subsystem. The personal property asset record must be in the Pegasys Fixed Assets module before a purchasing document can cite the asset record. Real property and personal property asset records will have the acquisition cost updated through an automated batch processing of the purchasing and payment documents that reference the asset record. Depreciation of fixed assets will be computed monthly and the incremental amount of accumulated depreciation is recorded on the fixed assets record, journal, and general ledger. Corrections, transfers, and disposals of personal property will originate and be maintained in Pegasys. The Federal Shared Service Provider (FSSP) will process transfer and disposal of real property upon notification and receipt of disposal documentation from PBS. Fixed asset records shall consist of asset number, asset type, quantity, acquisition method, acquisition date, acquisition cost amount, accounting dimension, and other asset-specific information.

b. Asset number. Asset numbers for personal property assets are assigned by the FSSP. An Asset Number Request Form must be completed and submitted to the FSSP to create the asset record. For Federal Buildings Fund, the request form must be submitted to FW-Property.Request@gsa.gov with "Personal Property Asset Number Request (Fund xxxx)" in the email subject line. For all other funds, the request must be submitted to kcassetnumber.requests@gsa.gov. It is important to reference the asset number assigned on purchase order documents to update an asset record.

c. Acquisition cost. Record the acquisition of fixed assets and associated betterments at initial cost. This includes all costs incurred to bring the asset to a form and location suitable for its intended use. The cost is recorded net of purchase discounts. Purchase discounts lost and late payment penalties that are not included as cost of an asset are recognized as an operating expense. SFFAS 6 further describes the acquisition cost of assets.

d. Process. Each stage of a fixed asset life cycle is recorded and updated in Pegasys through the creation and processing of forms. Assets are recorded in Pegasys by processing various forms for acquisition, correction, transfer, betterment, or disposal.

e. Type of fixed assets. GSA creates real and personal property asset types based on the corresponding asset USSGL account to ease reporting of general ledger balance, account detail, and intragovernmental activity. See the Pegasys Fixed Assets User Guide, Figure 2-5 and 2-7, Asset Type to USSGL Relationship, for lists of asset type codes and associated USSGL account number. The Pegasys User Guide can be found at pegasys.gsa.gov.

7. Accountability for fixed assets. Accountability is the ability to safeguard and account for fixed assets from acquisition to final disposal. GSA Order ADM 7800.12, Management of GSA Internal Personal Property, prescribes personal accountability, roles, and responsibilities of accountable officers and other personnel for reasonable safeguard of accountable items and personal property.

CHAPTER 10. IMPAIRMENT OF GENERAL PROPERTY AND EQUIPMENT REMAINING IN USE

1. Introduction.

a. An impairment is a significant and permanent decline in the service utility of general property and equipment, or expected service utility for construction work-in-process. The service utility is the usable capacity that at acquisition was expected to be used to provide service. A decline in service utility is due to abnormal or extraordinary events that were not expected at acquisition, such as physical damage, obsolescence, new laws or regulations, or other environmental or economic factors.

b. The two steps for determining impairment are: (1) identifying indicators of potential impairments and (2) testing of potential impairments. Impairment tests consider the significance of the decline and whether the decline is permanent.

2. Authority.

a. SFFAS 44, Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use.

b. Technical Release Number 14, Implementation Guidance on the Accounting for the Disposal of General, Property, Plant, & Equipment.

c. SFFAS 6, Accounting for Property, Plant, and Equipment.

3. Identifying impairment indicators. Based upon SFFAS 44, GSA is not required to search for impairments; however, GSA may identify potential impairments through routine asset management processes, conspicuous events, reduced demand, or other indicators of potential impairment, such as:

a. Evidence of physical damage.

b. Enactment or approval of laws or regulations which limit or restrict general property and equipment usage.

c. Changes in environmental or economic factors.

d. Technological change or evidence of obsolescence.

e. Changes in the manner or duration of use of general property and equipment.

f. Construction stoppage or contract termination.

g. General property and equipment idled or unserviceable for excessively long periods.

4. Testing for impairments. The potential impairment must be tested to determine whether the decline in service utility is a reportable impairment. An impairment exists if the service utility decline is both significant and permanent.

a. Significant. Significance is determined by professional judgment which may be based upon:

(1) The relative costs of providing the service before and after the decline.

(2) The percentage decline in service utility.

(3) Other considerations.

b. Permanent. A decline is considered permanent when GSA has no reasonable expectation that the lost service utility will be replaced or restored. GSA general property and equipment is determined to be permanently removed from service when the asset's use is terminated and the intent to retire the asset has been documented. GSA may determine that the lost service utility is not permanent. This determination may be evidenced by (1) specific plans to replace or restore lost service utility, (2) committed or obligated funding for remediation efforts, or (3) a documented history of remediating lost service utility for a similar type of asset.

5. Estimating partial impairments. Once GSA has determined that there is a partial impairment, the loss is estimated using one of the measurement methods below. Impairment loss estimates must exclude any improvements or betterments to the existing asset. The method chosen must be the most efficient and practical method for the given circumstances. Refer to SFFAS 44, Appendix B, Flowchart, Decision Table and Illustrations, provides examples on how to apply the various estimation methods. Some of the methods are:

a. Replacement approach. This approach uses the estimated cost to replace the lost service utility of the property and equipment at today's standards to identify the portion of the historical cost of the property and equipment that should be written off. For real property purposes, this cost can be derived from the plant replacement value (PRV). Today's standards mean the use of current market prices for materials, labor, manufactured items and equipment using current building, manufacturing, or fabrication techniques in compliance with current statutory, regulatory, or industry standards. This estimate can be converted to historical cost by restating (i.e., deflating) the estimated cost to replace the diminished service utility using an appropriate cost index. Alternatively, it may be appropriate to apply the ratio of the estimated cost to replace the diminished service utility over total estimated cost to replace the property and equipment, to the net book value of the property and equipment.

b. Restoration approach. This approach uses the estimated cost to restore the diminished service utility of the property and equipment to identify the portion of the historical cost of the property and equipment that should be written off. This approach does not include any amounts attributable to improvements and additions to meet today's standards. The estimated restoration cost can be converted to historical cost by restating (i.e., deflating) the estimated restoration cost using an appropriate cost index. Alternatively, it may be appropriate to apply the ratio of estimated restoration cost to restore the diminished service utility over total estimated restoration cost to the net book value of the property and equipment.

c. Service units approach. This approach compares the service units provided by the property and equipment before and after the impairment event or change in circumstance to isolate the historical cost of the service utility of the property and equipment that cannot be used due to the impairment event or change in circumstance. The amount of impairment is determined by evaluating the service provided by the property and equipment - either maximum estimated service units or total estimated service units throughout the life of the property and equipment - before and after the event or change in circumstance.

d. Deflated depreciated current cost approach. This approach quantifies the cost of the service currently being provided by the property and equipment and converts that cost to historical cost. A current cost for a property and equipment to replace the current level of service is estimated. This estimated current cost is then depreciated to reflect the fact that the property and equipment is not new, and then is subsequently deflated to convert it to historical cost dollars. A potential impairment loss results if the net book value of the property and equipment exceeds the estimated historical cost of the current service utility (i.e., deflated depreciated current cost).

e. Cash flow approach. Under this approach, an impairment loss should be recognized only if the net book value of the property and equipment (1) is not recoverable and (2) exceeds the higher of its net realizable value or value-in-use estimate. The net realizable value is the estimated amount that can be recovered from selling, or any other method of disposing of an item less estimated costs of completion, holding and disposal. The value-in-use is the benefit to be obtained by an entity from the continuing use of an asset and from its disposal at the end of its useful life as defined by Statement of Federal Financial Accounting Concepts 7, Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording.

(1) Not recoverable. The net book value of the property and equipment is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the property and equipment. That assessment should be based on the net book value of the property and equipment at the date it is tested for recoverability, whether in use or under development. If the net book value is not recoverable, the impairment loss is the amount by which the net book value of the property and equipment exceeds the higher of its net realizable value or value-in-use estimate.

(2) Exceeds the higher of its net realizable value or value-in-use estimate – No impairment loss exists if the net book value is less than the higher of the net realizable value of the property and equipment or value-in-use estimate.

f. Lower of (1) net book value or (2) higher of net realizable value or value-in-use approach. Property and equipment impaired from either construction stoppages or contract terminations, which are expected to provide service, should be reported at their recoverable amount; the lower of (1) the net book value of the property and equipment or (2) the higher of its net realizable value or value-in-use estimate.

6. Reporting partial impairments. Partial impairments are reported as losses on the Statement of Net Cost. The Statement of Net Cost presents, by major program and activity, the revenues and expenses incurred to provide goods and services to GSA customers. Impairment losses will be reported using the USSGL 729200, Other Losses from Impairment of Assets. The loss recognition is limited to the asset's net book value at the time of the impairment. The impairment loss may be reported as a separate line item or combined with other losses on the Statement of Net Cost, depending on the materiality. When impairment losses are significant to the financial statements, GSA will disclose additional information regarding these losses in the Notes to the Financial Statements.

Disclosures about the impairment losses would include:

a. A general description of the general property and equipment remaining in use for which an impairment loss is recognized;

b. The nature (e.g., damage or obsolescence) and amount of the impairment; and

c. Financial statement classification of the impairment loss.

7. Responsibilities. The GSA PBS, FAS, and Heads of Staff Offices have responsibility for identifying potential asset impairments in accordance with implementation plans developed by the OCFO. The Office of Financial Management tests potential impairments for PBS and Staff Offices. The Office of Business and Financial Analytics, FAS Analysis Division tests potential impairments for FAS. The GSA offices are responsible for the identification, testing, and recording of potential or actual impairments are contained in the table below.

Table of Responsibilities

Service/Staff Office	Identification of Potential Impairments	Testing Potential Impairments
PBS	PBS identifies potentially impaired PBS assets and provides necessary information to the Office of Financial Management in accordance with procedures established by the Office of Financial Management.	The Office of Financial Management (in consultation with PBS) tests for impairments, estimates the potential loss, and submits the loss amounts to the FSSP for recording.
FAS	FAS Property Managers and General Supply Officers identify potentially impaired FAS assets and provide necessary information to the FAS Analysis Division in accordance with procedures established by FAS Analysis Division.	The FAS Analysis Division (in consultation with FAS) tests for impairments, estimates the potential loss, and submits the loss amounts to the FSSP for recording.
Staff Offices	The Heads of Staff Offices identify potentially impaired General Management & Administration assets and provide necessary information to the Office of Financial Management in accordance with procedures established by the Office of Financial Management.	The Office of Financial Management (in consultation with Heads of Staff Offices) tests for impairments, estimates the potential loss, and submits the loss amounts to the FSSP for recording.

The FAS Analysis Division and the Office of Financial Management will maintain implementation plans to ensure asset impairments are identified and recorded in accordance with this policy. The procedures will include oversight over the execution and documentation for the identification, testing, determination, and reporting of asset impairments.

CHAPTER 11. ADVANCES AND PREPAYMENTS

1. General. This part describes the accounting treatment for advances and prepayments. This treatment is standard throughout GSA. In financial reports, advances and prepayments that GSA paid out (assets) should not be netted against advances and prepayments that GSA received (liabilities). Guidance on this subject is provided in SFFAS 1, Accounting for Selected Assets and Liabilities (pars. 57-61 and 85).

2. Prepaid expenses and advances. Prepaid expenses and advances are payments made to cover certain periodic expenses before those expenses are incurred. When goods or services are received or contract terms are met, the expense incurred or asset received should be recognized and the advances and prepayments should be reduced. Advances and prepayments made by GSA to Federal entities are intragovernmental transactions and should be accounted for and reported separately from those made to non-Federal entities. Amounts of advances and prepayments that are subject to refund (for example, a settled travel claim indicating the traveler owes part of the advance to the government) should be transferred to accounts receivable when deemed in excess of related expenditure requirements.

3. Unearned revenue and advances. Unearned revenue and advances are collections received from customers for goods to be delivered or services to be provided. Before revenues are earned, the current portion of the advances should be recorded as other current liabilities. After the revenue is earned (goods or services are delivered, or performance progress is made according to engineering evaluations), GSA should record the appropriate amount as a revenue or financing source and liquidate the liabilities accordingly. Other current liabilities due from GSA to Federal entities are intragovernmental liabilities that should be reported separately from those due to employees and the public.

CHAPTER 12. CONTINGENT LIABILITIES

1. General. SFFAS 12, Recognition of Contingent Liabilities from Litigation, amended SFFAS 5 to provide an exception to the contingent liability standard for recognizing loss contingencies on matters of pending or threatened litigation and unasserted claims. Specific guidance on reporting of contingent liabilities is detailed in CFO P 4260.2, Volume 2, Financial Reporting Requirements.

CHAPTER 13. PAYROLL AND RELATED LIABILITIES

1. General. This part describes the policy and procedures to be followed for accruing payroll and leave expenses. Accrued payroll and benefits include the total funded but unpaid personnel compensation and benefits that have been earned by employees as of the close of the period.

2. Workers' compensation actuarial liability. Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees for injury on the job and work-related occupational disease, and to beneficiaries of covered employees whose death is attributable to a job-related injury or occupational disease. FECA liability includes the estimated future costs of death benefits, workers' compensation, and medical and miscellaneous costs for approved compensation cases.

a. Authority. Department of Labor (DOL) memorandum, FECA, Intra-governmental Transactions Reporting and Reconciliation Procedures Current as of 9/18/2013.

c. Policy.

(1) DOL provides the FECA liability on the 5th business day following the close of each quarter via its website http://www.dol.gov/ocfo/publications.html. GSA will use the information posted by DOL to prepare and post the accrual for the FECA liability on a quarterly basis.

(2) The Resource Management Division must retrieve the FECA liability from the DOL website no later than the 10th calendar day after the close of the reporting quarter. The Resource Management Division must then provide the liability allocation, by line of accounting (fund, organization code, program, activity and amount), to the FSSP no later than the 15th calendar day after the close of the reporting quarter. FSSP must record these amounts no later than the 30th calendar day after the close of the reporting quarter.

3. Annual leave liability. Unfunded annual leave accrued to employees is the amount of annual leave earned but not used. Annual leave is an expense which accrues each pay period as it is earned by employees. The expense for unfunded annual leave must be recorded as an unfunded liability. Initially, a liability accruing annual leave will be recorded at the wage rate at which it is earned. A revised balance reflecting the annual leave liability should be computed at least annually to reflect current pay rates and leave balances. Any resulting increase should be charged to current year expenses. Unused sick leave, compensatory, or credit time may be tracked for budget or management purposes but will not be recorded as a liability.

4. Payroll recording of employer-paid benefits. The OCFO policy on recording and reporting employer-paid benefits is:

a. The USSGL 640000 and 221300.xx accounts must be used for the recording of the employer-paid portion for the following benefits:

(1) Retirement
(2) Life insurance
(3) Health insurance
(4) Voluntary Separation Incentive Payment (VSIP)
(5) FECA
(6) Social Security and Medicare

Note: Journal entry (5) (Social Security) and (6) (Medicare) should be reported as agency code 99 on the financial statements because they are GSA remittances, and are deposited into the General Fund of the Treasury, through the IRS. Treasury then moves balances into the Social Security Administration and the Department of Health and Human Services Trust funds.

b. The costs for all other payroll benefits not listed above must be recorded in USSGL accounts 610000 and 221300.xx, including employer contributions to the Thrift Savings Plan.

CHAPTER 14. LEASING

1. General.

a. In accordance with SFFAS 5, Accounting for Liabilities of the Federal Government, pars. 43-46, Capital Leases; and SFFAS 6 Accounting for Property, Plant, and Equipment, par. 20, Capital Leases; GSA is required to classify leases as either capital or operating leases.

b. Both the FASAB and the Financial Accounting Standards Board (FASB) consider four criteria for classifying a lease as an operating or capital lease at its inception: 1) transfer of ownership, 2) bargain purchase option, 3) lease term, and 4) minimum lease payments. However, the FASAB does not clearly define a bargain purchase. Therefore, we are applying the definition provided by OMB Circular A-11, Preparation, Submission and Execution of the Budget.

c. FASB definition of a bargain purchase (summarized in par. 2.g. below) is similar to the OMB Circular A-11, Appendix B, definition which is: a bargain-price purchase option is a provision allowing the government to purchase the leased property for a price that is lower than the expected fair market value of the property at the date the option can be exercised.

d. OMB Circular A-11 adds the expectation and requirement that the bargain purchase price is within the prospectus threshold required for capital purchases. It states, if the lease agreement contains an option to renew that can be exercised without additional legislation, it will be presumed that the option will be exercised. In some instances, GSA will lease space that provides a purchase option at some point in the lease term. These purchase options must be evaluated as part of the financial accounting lease classification at the inception of the lease, to determine if it is a bargain purchase option. GSA's authority to independently exercise a purchase option only exists if the option price is less than the prospectus threshold. If the purchase option price is greater than the prospectus threshold, GSA cannot exercise the option without Congressional approval, than the purchase option alone would not satisfy requirements for capital lease classification.

e. All leases must be classified by GSA for accounting purposes as either an operating lease or a capital lease. Lessees have either capital or operating leases while lessors have either sales-type, direct financing, or operating leases. Capital, sales-type, and direct financing leases transfer substantially all benefits and risks of ownership from the lessor to the lessee. A lease transaction that transfers substantially all the benefits and risks inherent in the ownership of the property to the lessee is defined as a capital lease. Any lease that does not meet the criteria for a capital lease is considered an operating lease.

f. Policy guidance on leasing is provided in:

(1) OMB Circular A-11, Appendix B, Budgetary Treatment of Lease-Purchases and Leases of Capital Assets

(2) OMB Circular A-136, Financial Reporting Requirements

(3) 40 U.S.C. § 3307 Title 40 Public Buildings, Property, and Works, Chapter 33 Acquisition, Construction, and Alteration, Section 3307 Congressional approval of proposed projects

(4) SFFAS 5, Accounting for Liabilities of the Federal Government (pars. 43-46)

(5) SFFAS 6, Accounting for Property, Plant, and Equipment (par. 20)

(6) FASB Accounting Standards Codification 840, Leases

2. Definitions.

a. Lease. Written agreement to convey use of an asset or part of an asset from one person or organization (lessor) to another (lessee) for a specified period of time in return for rent or other consideration.

b. Lessee. Entity that leases the property.

c. Lessor. Entity that owns the property.

d. Present value. Present value is the current worth of a future sum of money or stream of cash flows given a specified rate of return.

e. Incremental borrowing rate. Incremental borrowing rate is the rate of interest that the lessee would have had to pay at inception of the lease to borrow the funds, on similar terms, to purchase the leased property.

f. Interest rate implicit in the lease. The discount rate to be used in determining the present value of the minimum lease payments ordinarily would be the lessee's incremental borrowing rate unless (1) it is practicable for the lessee to learn the implicit rate computed by the lessor and (2) the implicit rate computed by the lessor is less than the lessee's incremental borrowing rate. If both these conditions are met, the lessee shall use the implicit rate computed by the lessor. The lessee's incremental borrowing rate is the Treasury borrowing rate for securities of similar maturity to the term of the lease.

g. Bargain Purchase Option. A bargain purchase option is a provision allowing the Government to purchase the leased property for a price that is lower than the expected fair market value of the property at the date the option can be exercised. The purchase price includes the value of any rebates or income to the agency or Government resulting from its purchase of the asset. (OMB Circular A-11, Appendix B, Budgetary Treatment of Lease-Purchases and Leases of Capital Assets, par. 3. Definitions and Concepts.)

h. Prospectus threshold. In accordance with 40 U.S.C. § 3307, an appropriation to construct, alter, acquire, or lease any building for public use, above a statutory limit, must be approved by Congress. To obtain that approval, the Administrator of General Services is required to provide Congress a prospectus of the proposed facility. This statutory limit is commonly referred to as the prospectus threshold.

3. Operating lease. Operating lease is an agreement conveying the right to use property for a limited time in exchange for periodic rental payments. Rental payments made by GSA over the term of the lease are recorded as operating expenses. Rental payments or accruals should be recognized on a straight-line basis. If PBS believes that the straight-line method is inappropriate, coordinate with the Office of Financial Management, Financial Policy Division on alternative methods. An operating lease must meet all the following criteria:

a. Ownership of the asset remains with the lessor during the term of the lease and is not transferred to the Government at, or shortly after, the end of the lease period.

b. The lease does not contain a bargain-price purchase option.

c. The lease term does not exceed 75 percent of the estimated economic lifetime of the asset.

d. The present value of the minimum lease payments over the life of the lease does not exceed 90 percent of the fair market value of the asset at the beginning of the lease.

e. The asset is a general purpose asset, not a special purpose asset of the Government, and is not built to unique specifications for the Government as lessee.

f. There is a private-sector market for the asset.

4. Capital lease. Capital lease is a lease that transfers substantially all the benefits and risks of ownership of the property to the lessee.

a. Accounting for a capital lease. GSA (the lessee) records a capital lease as an asset with a corresponding liability. The initial recording value of a capital lease is the lesser among the fair value of leased property and the present value of the total minimum lease payments, excluding any portion representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor (SFFAS 5 par. 44). If the portion of minimum lease payments representing executory costs, including profit, is not determinable from the provisions of the lease, an estimate of the amount should be made (SFFAS 6 FN 28). Fair value is determined at inception of the lease and the present value of the total minimum lease payments is computed at the beginning of the lease term. The discount rate used to arrive at the present value of the total minimum lease payments is the incremental borrowing rate, unless GSA has knowledge of a lower interest rate implicit in the lease used by the lessor (SFFAS 5 par. 44).

b. Amortization. Asset(s) recorded under a capital lease shall be amortized in a manner consistent with normal GSA depreciation policy for other owned assets. The period of amortization is either the estimated economic life or lease term, depending on which criterion was used to classify the lease. The asset is depreciated over its estimated economic life if the criterion used to classify the lease as a capital lease is either transferring ownership of the property to the lessee by the end of the lease term, or the lease contains a bargain purchase option. In all other cases, the asset is amortized over the lease term.

c. Recognition of interest expense. Interest shall be recognized periodically and computed by the effective interest method. The effective interest method is used to produce a constant rate of interest on the remaining lease liability. A portion of each minimum lease payment is allocated to interest expense and the balance shall be applied to reduce the lease liability (SFFAS 5 par. 46). Any residual guarantee(s) by GSA or penalty payments are automatically taken into consideration by using the effective interest method and will result in a balance at the end of the lease term equal to the amount of the guarantee or penalty payments at that date.

d. Termination of capital lease. Any gain or loss is recognized at the termination of a capital lease, and asset and lease liability must be removed from the books.

e. Reporting in financial statements. Capitalized leases and related obligations may be either disclosed separately on the face of the balance sheet or combined with property and equipment and long-term debt, provided required disclosures are shown in footnotes.

f. Direct financing leases. When GSA is the lessor, the capital leases should be recognized as direct financing leases when:

(1) It meets any of the following criteria:

(a) The lease transfers ownership of the property to the lessee by the end of the lease term.

(b) The lease contains a bargain purchase option. Purchase price must be within the prospectus threshold approved by the Congressional Oversight Committees of GSA. Additionally, GSA has authority and a mandate to exercise an option or bargain purchase (without additional legislation) if and only if the option and/or bargain purchase is less than the prospectus threshold. For financial lease classification purposes, it will be presumed that a purchase option contained in a lease agreement may only be exercised when no additional legislation or legislative action, such as prospectus approval, is required. Therefore, GSA will not classify a lease as a capital lease based solely on the bargain purchase option criterion, since GSA is not certain the bargain price can be exercised. The lease may still be classified as a capital lease if it meets other capital lease criteria.

(c) The lease term is equal to 75 percent or more of the estimated economic life of the leased property. However, if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(d) The present value of the minimum lease payments at the beginning of the lease term, excluding that portion of the payments that represent executor costs such as insurance, maintenance, and taxes to be paid by the lessor, but including any profit therein, equals or exceeds 90 percent of the excess of the fair value of the leased property to the lessor at lease inception over any related investment tax credit retained and expected to be realized by the lessor. If the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(2) Collectability of the minimum lease payments is reasonably predictable.

(3) No important uncertainties surround the amount of unreimbursable costs yet to be incurred by the lessor under the lease.

(4) It does not give rise to manufacturer's or dealer's profit (or loss) to the lessor.

(5) It does not meet the criteria for a leveraged lease in (h).

g. Sales-type lease. A lease is a sales-type lease if it gives rise to manufacturer’s or dealer’s profit (or loss) to the lessor (that is, the fair value of the leased property at lease inception is greater or less than its cost or carrying amount) and meets either of the following conditions:

(1) It involves real estate and transfer-of-ownership of the property to the lessee by the end of the lease term.

(2) It does not involve real estate and meets any of the criteria in f(1) and both of the criteria in f(2) and f(3) for a direct financing lease.

h. Leveraged lease. A lease is a leveraged lease if it has all of the following characteristics:

(1) It meets the criteria in f(1) through f(4) for a direct financing lease.

(2) It involves at least three parties: a lessee, a long-term creditor, and a lessor (commonly called the equity participant).

(3) The financing provided by the long-term creditor is nonrecourse as to the general credit of the lessor (although the creditor may have recourse to the specific property leased and the unremitted rentals relating to it). The amount of the financing is sufficient to provide the lessor with substantial leverage in the transaction.

(4) The lessor's net investment declines during the early years once the investment has been completed and rises during the later years of the lease before its final elimination.

CHAPTER 15. ENVIRONMENTAL RELATED CLEANUP COSTS

PART 1. ACCOUNTING POLICY FOR ENVIRONMENTAL RELATED CLEANUP COSTS

1. General.

a. As a Federal entity, GSA is required by the Chief Financial Officers Act of 1990 (Pub. L. 101-576) to prepare and report financial statements in accordance with Federal accounting standards as promulgated by the FASAB and the OMB Circular A-136, Financial Reporting Requirements. See CFO Manual, CFO P 4260.2, Volume 2, Financial Reporting Requirements, for financial statement footnote requirements pertaining to environmental cleanup costs.

b. According to the SFFAS 6, Accounting for Property, Plant, and Equipment, GSA is required to recognize a liability for environmental related cleanup costs resulting from past transactions or events and when a future outflow or other sacrifice of resources is probable and reasonably estimable.

c. Environmental related cleanup costs include liabilities covered by current budgetary resources and liabilities not covered by current budgetary resources (i.e., future funded expenses).

2. Guidance.

a. SFFAS 5, Accounting for Liabilities of the Federal Government.

b. SFFAS 6, Accounting for Property, Plant, and Equipment.

c. FASAB Technical Release Number 2, Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government.

d. FASAB Technical Release Number 10, Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment.

e. FASAB Technical Release Number 11, Implementation Guidance on Cleanup Costs Associated with Equipment.

f. FASAB Technical Release Number 14, Implementation Guidance on the Accounting for the Disposal of General Property, Plant, & Equipment.

g. Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs.

3. Environmental cleanup costs. Environmental cleanup costs are the costs of removing, containing, and/or disposing of: (1) hazardous waste from property; (2)

material and/or property that consists of hazardous waste at permanent or temporary closure, or shutdown of associated property and equipment (P&E) (i.e., asset retirement and equipment disposal); or (3) asbestos (i.e., friable and non-friable). Cleanup costs may include characterization, decontamination, decommissioning, restoration, monitoring, closure, post closure, future surveys, studies, and assessments on the environmental site. Future surveys, studies, and assessments do not include initial survey costs to determine if a site has likely contamination because, as described below, it has not been determined that there is likely contamination. Therefore, the probable criterion of a future outflow has not been met. In addition, cleanup costs may include incremental direct costs of the remediation effort and costs of compensation and benefits for those employees who are expected to devote a significant amount of time directly to the remediation effort.

4. Environmental liabilities. Environmental liabilities are future outflows or other sacrifices of resources for environmental related cleanup costs resulting from past transactions or events (e.g., contamination) when all of the following conditions are met:

a. Known contamination is present or likely to be present in the future.

b. GSA is legally liable for the environmental related cleanup of the contamination. Events that are considered GSA legally liable include:

(1) Contamination of a non-Federal property caused by GSA operations (e.g., releases of hazardous waste or substances from GSA operations on an adjoining landowner's property);

(2) Contamination of a GSA property resulting from Federal operations, whether attributable to GSA or other Federal agencies; and,

(3) Contamination caused by Federal or non-Federal entities, which GSA is otherwise legally liable to cleanup under Federal, state, or local law, environmental regulations, court decisions, or any legally binding documents (also includes scenarios where GSA agreed to be liable for the necessary cleanup costs.

c. Future outflows or other sacrifice of resources for environmental related cleanup are probable and reasonably estimable. Probable refers to whether a future event or events are more likely than not to occur. Reasonably estimable refers to whether a future outflow or other sacrifice of resources is reliably quantifiable in monetary terms.

5. Government acknowledged event (GAE). GSA will determine if the contamination should be classified as a GAE, a contamination caused by a non-Federal entity or a natural disaster. GAEs are non-transaction based events where GSA has no legal liability but could have an interest or responsibility to provide for employee's safety, the public's general welfare, or the environment and responds to the event after obtaining budgetary approval. These events may include the following:

a. Contamination caused by natural disasters;

b. Contamination of a GSA property caused by an adjoining, adjacent, or neighboring non-Federal property owner;

c. Contamination of a GSA property caused by a non-Federal third party over whom GSA has no control (e.g., so-called "midnight dumping" or accidental releases of contamination by transporters of hazardous materials);

d. Contamination of non-Federal property, for which GSA provides voluntary cleanup to further Federal or public interest in accordance with GAO standards;

e. Contamination encountered by GSA despite its efforts to limit its risks of contamination occurring, by engaging in effective due diligence of the property prior to acquisition, and by taking reasonable efforts to limit its liability by ensuring that the seller or lessor takes full responsibility for the presence of post-transfer discovered contamination in the structuring of the underlying purchase agreement or lease; and

f. Other contamination, which is determined by GSA legal counsel to be classified as a GAE.

6. Environmental contaminations. For environmental contaminations other than asbestos, GSA will exercise due care across all GSA owned assets (i.e., buildings, land, and equipment) to determine probable future cleanup costs. For asbestos contamination, GSA will exercise due care across GSA owned assets expected to contain asbestos to determine probable future cleanup costs. Due care should be exercised when conducting an initial assessment/estimation of the GSA assets or in the acquisition of new assets. GSA will also exercise due care on capital leased assets if GSA is legally liable for the environmental cleanup under the lease agreement. The GSA due care process will consist of a reasonable effort to identify the presence or likely presence of environmental contamination. A reasonable effort is exercised if GSA puts a process in place to routinely identify environmental contamination and forwards the information to the responsible GSA official.

7. Legally liable events. GSA will determine if the contamination identified in the due care process are GSA legally liable events. Events that are considered GSA legally liable include:

a. Contamination of a non-Federal property caused by GSA operations (e.g., releases of hazardous waste from GSA operations onto an adjoining landowner's property);

b. Contamination of a GSA property resulting from Federal operations whether attributable to GSA or other Federal agencies; or

c. Contamination caused by Federal or non-Federal entities which GSA is otherwise legally liable to cleanup under Federal, state, or local law, environmental regulations, court decisions, or any legally binding documents (this also includes scenarios where GSA agreed to be liable for the necessary cleanup costs).

8. Cleanup cost estimates. GSA will develop cleanup cost estimates for assets identified in the due care process that have environmental contamination, which are determined as GSA legally liable events and reasonably estimable. The reliability of cost estimates will be based on site specific studies, experience with similar sites or conditions, cost factors, and availability of remediation technology and should be based on current information, technology, and costs. If GSA is unable to estimate cleanup costs (i.e., no remediation technology is available), GSA will estimate the costs for containment of environmental contamination and the costs to complete the determination of a cleanup remedy. GSA will estimate environmental related cleanup costs for:

a. P&E (i.e., buildings, equipment, and land associated with other P&E) requiring immediate cleanup due to contamination, including friable asbestos that is not contained. Equipment that is attached to a building will be treated as part of the building for cleanup cost recognition purposes. The estimated cleanup costs will be recognized in full, as an environmental liability, in the period the contamination is identified.

b. P&E (i.e., buildings, equipment, and land associated with other P&E) not requiring immediate cleanup due to contamination, but is anticipated to be cleaned prior to or at the end of the asset's useful life, including non-friable and/or contained friable asbestos. These cleanup costs, commonly referred to as environmental related asset retirement and equipment disposal costs, represent future environmental liabilities and are the incremental portion of the cost to be incurred for the removal and special handling of the contamination above the normal retirement cost of the asset.

c. For GSA legally liable events, GSA will periodically update estimates (i.e., re-estimates) for future cleanup costs due to changes in inflation or deflation, and changes in regulations, plans and/or technology. GSA will update estimates based on receipt of new information that could significantly affect cost estimates. GSA will recognize the portion of the re-estimated costs associated with the asset's expired accounting useful life in the current period. The costs associated with the unexpired useful life will be recognized equally on an annual basis.

d. GSA **will not capitalize**, under any circumstance, environmental cleanup costs, whether incurred or estimated, as these costs do not extend the useful life of the asset, or enlarge or improve the asset's capacity.

9. Liabilities.

a. GSA will recognize estimated environmental cleanup costs as environmental liabilities in its financial statements for GSA legally liable events based on the following situations:

(1) For future estimated cleanup costs (i.e., prior to or at asset retirement and equipment disposal), GSA will recognize cleanup costs evenly on an annual basis over the accounting useful life of the asset, beginning on the date the asset is placed into service.

(2) For assets with no accounting useful life or for assets requiring immediate cleanup due to contamination, GSA will recognize the total estimated cleanup costs as an environmental liability in the current period.

b. For land not associated with other P&E (i.e., buildings or equipment) and where the contamination is a GSA legally liable event, GSA will recognize a liability for the total estimated cleanup costs in the period when the contamination is identified. Land associated with other P&E will assume the useful life and the recognition methodology of the associated P&E.

c. GSA will **not** estimate or recognize an environmental liability for the following situations:

(1) Costs for conducting initial surveys, studies, or assessments to determine the likely presence of contamination at a property, which are not investigative and not characterizing a contaminant. These costs are incurred to determine whether a contamination exists, but do not determine whether the cleanup is probable or reasonably estimable; therefore, they do not meet the definition of a liability;

(2) Assets that are fully remediated for environmental contamination in the current reporting period;

(3) Assets identified to have environmental contamination but GSA has not determined that GSA is legally liable for cleanup; and

(4) Estimated costs to purchase a new asset used to replace an asset removed due to contamination. These future costs are considered replacement costs and should not be comingled with environmental cleanup costs.

d. GSA will **not estimate or recognize** an environmental liability for GAEs. Recognition of an expense for the actual amount of cleanup costs incurred in the current period is all that is required. GSA will not recognize environmental liabilities for the remainder of the obligation, if any, for services that have not been rendered (e.g., contractor has not performed cleanup).

e. GSA will not estimate or recognize an environmental liability for cleanup costs associated with cleanup performed as a routine part of ongoing operations and maintenance (O&M). Cleanup costs associated with activities that are part of the asset's routine preventative maintenance or day-to-day operations when the asset is operating as intended without defect are considered O&M costs. Recognition of an expense for the actual amount of O&M cleanup costs incurred in the current period is all that is required.

f. GSA will **not estimate or recognize** an environmental liability for pending litigation or unasserted claims related to prior cleanup activities. These legal events are a type of contingent liability that should be recognized in accordance with the GSA policy on contingent liabilities.

PART 2. ACCOUNTING PROCEDURES FOR ENVIRONMENTAL RELATED CLEANUP COSTS

10. <u>Exercising due care in identifying environmental liabilities</u> (i.e., determining likely contamination).

a. At the implementation of the related policy, GSA will initiate a baseline assessment and conduct the due care process to identify potential environmental liabilities as a result of contamination across all owned P&E (i.e., buildings, land, and equipment), including capital leased assets, when GSA is legally liable for potential cleanup costs. As part of this evaluation, GSA will include future cleanup costs at the end of the asset's accounting useful life (i.e., asset retirement and equipment disposal).

b. GSA will initiate the due care process before the acquisition of new assets or newly leased assets when there is a potential that GSA could be legally liable for potential cleanup costs.

c. GSA will periodically and systematically evaluate all owned P&E, including capital leased assets when GSA is legally liable for cleanup to identify potential environmental liabilities as a result of contamination. GSA will use a due care process to make a reasonable effort to identify the presence or likely presence of contamination and identify environmental sites for evaluation. Procedures that evidence due care may include but are not limited to:

(1) Visual site inspection of any portions of the property where environmental contamination is likely or suspected. This may include an initial or characterization study;

(2) Review of the results of completed environmental assessments for regulatory requirements;

(3) Investigation into prior uses of the property through review of existing records and good faith inquiries;

(4) Investigation of aerial photographs that is available through government agencies that may reflect prior uses;

(5) Analysis to estimate the existence of contaminations based on experience with similar sites;

(6) Review of public records (i.e., Federal, state, and/or local jurisdictions) that show whether there has been a release or potential release of hazardous substances on the property (and adjacent property, if suspected contaminators exist); and

(7) Investigation of complaints regarding abnormal health conditions.

d. At the implementation of the related policy, GSA will initiate a baseline assessment to identify the population of assets expected to contain asbestos (i.e., friable and non-friable) by obtaining a complete and current portfolio of assets and excluding the following items that are not expected to contain asbestos:

(1) Asset types that are not likely to contain asbestos (e.g., power lines, airfield pavements, roads, sidewalks, and land);

(2) Assets that have undergone complete asbestos abatement (e.g., asbestos has been removed from a property and there is documentation confirming the removal of asbestos);

(3) Non-friable asbestos that is expected to remain non-friable indefinitely and has no incremental cost to prevent the non-friable asbestos material from becoming friable including at asset retirement (e.g., roofing, flooring, siding, and other materials that when repaired, removed, contained, disposed of, or otherwise disturbed do not become friable);

(4) Land containing only naturally occurring asbestos (NOA) which can be found in soil, rocks and mines.

(5) Assets that are under a capital lease that GSA does not have legal liability to cleanup.

e. The remaining population of inventory includes all GSA owned assets expected to contain asbestos (i.e., friable and non-friable). Subsequent to the baseline assessment, additional asbestos related cleanup costs will be identified through the due care process outlined in pars. 1b and 1c above.

11. <u>Determining GSA legally liable events</u> (i.e., determining probable future outflows).

a. GSA will evaluate environmental contamination to determine whether it is probable that GSA is legally liable to clean up the environmental contamination identified in the due care process. Instances of environmental contamination where GSA is legally required to cleanup are considered GSA legally liable events. This includes events such as:

(1) Contamination of a non-Federal property caused by GSA operations (e.g., releases of hazardous waste from GSA operations onto an adjoining landowner's property);

(2) Contamination of a GSA property resulting from Federal operations, whether attributable to GSA or other Federal entities; or

(3) Contamination which GSA is otherwise legally liable to cleanup under Federal, state, or local law, environmental regulations, court decisions, or any legally binding documents (this also includes scenarios where GSA agreed to be legally liable for the necessary cleanup costs).

b. GSA will reassess the legal liability for environmental cleanup upon the disposition of assets or other legal event to determine if GSA remains legally liable for any future cleanup costs. If GSA is no longer legally liable for future cleanup, then the associated environmental liability should be reduced.

12. <u>Developing and updating cost estimates for GSA legally liable events</u> (i.e., determining reasonably estimable).

a. GSA will develop reasonable future cleanup cost estimates for identified environmental sites that are GSA legally liable events. The estimate will include costs of decontamination, decommissioning, restoration, monitoring, closure, post closure; and future surveys, studies, and assessments (i.e., asset retirement and equipment disposal) on the environmental site when remediation technology exists. Cost estimates should be based on information from one or more of the following:

(1) Site specific cost estimates including environmental studies or characterization assessment on a specific asset;

(2) Extrapolation of historical costs for similar sites;

(3) Use of independent government estimates or contractor proposals; and

(4) Cost factors.

b. If GSA is unable to estimate future cleanup costs (i.e., no remediation technology exists), GSA will include the costs to contain the environmental contamination and other relevant costs within the environmental liability until cleanup costs can be estimated. Depending on the type of environmental contamination, containment technologies may include capping, filling, or providing liners to manage and monitor hazardous waste at specific sites. If contamination requires periodic containment costs, the total estimated costs for each containment will be included within the environmental liability estimate.

c. GSA will periodically update cost estimates based on a review of environmental site information, new studies, cleanup activities, and changes in regulations, inflation, and any other new developments (i.e. changes in facts or environmental information available). GSA will utilize a methodology to account for changes in cost estimates due to inflation or deflation. GSA will review environmental sites with cost estimates previously recorded for changes in expenditures, scope or costs, and newly scoped items. GSA will update cost estimates based on major environmental events or incidents. For example, GSA has a property with a leak in an underground storage tank that is contaminating nearby groundwater. During a quarterly review, GSA discovers that the amount of contaminant has surpassed maximum safe threshold levels and is now subject to more stringent environmental regulations. GSA will revise the cost estimate to reflect the costs related to the changes in regulations.

13. Recognition methodology for environmental cleanup costs.

a. The following recognition methodologies and the associated journal entries will be used to record transactions for environmental related cleanup costs within the GSA financial statements. The journal entries provided here are not inclusive of all the necessary journal entries related to environmental cleanup related costs.

(1) For GSA legally liable events that require immediate cleanup, including friable asbestos that is not contained, GSA will recognize the total estimated cleanup costs as an environmental liability in the current period using USSGL accounts 680000.xx and 299500.xx. There is no deferral of recognition for these cleanup costs because the contamination requires immediate cleanup.

(2) For cleanup costs related to assets requiring cleanup prior to or at the end of the asset's accounting useful life (i.e., asset retirement) due to contamination, including non-friable and contained friable asbestos, GSA will recognize the environmental liability evenly on an annual basis over the accounting useful life of the asset, beginning on the date placed into service. Depending on the asset's remaining useful life, one of the following recognition methodologies will be used:

(a) If the asset is newly acquired, GSA will recognize the environmental liability evenly on an annual basis over the entire accounting useful life.

(b) If the liability is identified after part of the asset's accounting useful life has expired, GSA will perform the following procedures to determine the appropriate cost recognition amounts:

1. Calculate the annual recognition amount by dividing the total estimated cleanup costs over the asset's initial accounting useful life.

2. Recognize the portion of the cleanup costs for the asset's expired useful life in the current period by multiplying the annual recognition amount by the number of expired useful life years.

3. Recognize the remaining portion of the cleanup costs evenly on an annual basis over the remaining accounting useful life.

(c) If the asset has no accounting useful life at the time the contamination is identified, GSA will recognize the total estimated cleanup cost liability in the current period.

(d) If the asset's accounting useful life is extended or reduced, GSA will recognize the change in accounting useful life as a prospective change and will prorate the remaining unrecognized liability evenly on an annual basis over the new remaining accounting useful life.

(3) For cleanup costs related to the disposal of equipment, GSA will recognize the environmental liability evenly on annual basis over the accounting useful life of the equipment, beginning on the date the equipment is placed into service.

(a) If the equipment is newly acquired, GSA will recognize the environmental liability evenly on annual basis over the entire accounting useful life.

(b) If the liability is identified after part of the equipment's accounting useful life has expired, GSA should perform the following procedures to determine the appropriate cost recognition amounts:

1. Calculate the annual recognition amount by dividing the total estimated cleanup costs over the equipment's initial accounting useful life.

2. Recognize the portion of the cleanup costs for the equipment's expired useful life in the current period by multiplying the annual recognition amount by the number of expired useful life years.

3. Recognize the remaining portion of the cleanup costs evenly on an annual basis over the remaining accounting useful life.

(c) If the equipment has no accounting useful life at the time the contamination is identified, GSA will recognize the total estimated cleanup cost liability in the current period.

(d) If the equipment's accounting useful life is extended or reduced, GSA will recognize the change in accounting useful life as a prospective change and would prorate the remaining unrecognized liability evenly over the new remaining accounting useful life.

(4) For contaminated land, GSA will recognize a liability for the total estimated cleanup costs in the period the contamination is identified.

(5) For cost re-estimates of environmental liabilities, GSA will recognize, in the current period, a portion of the costs associated with the asset's expired accounting useful life and recognize the remaining cost evenly on an annual basis over the remaining accounting useful life. Depending on the asset's remaining useful life, one of the following recognition methodologies will be used:

(a) If the asset has no remaining accounting useful life, GSA will recognize the difference in estimate for the current period.

(b) If the asset has a remaining accounting useful life, GSA should perform the following procedures to determine the recognition of the re-estimate:

1. Calculate the annual recognition change by dividing the difference in cost estimate over the asset's initial accounting useful life.

2. Recognize the portion of the difference in estimate for the asset's expired useful life in the current period by multiplying the annual difference in estimate recognition by the number of expired useful life years.

3. Recognize the remaining portion of the difference in estimate evenly on annual basis over the remaining accounting useful life in addition to the original estimate recognition amount.

(6) For P&E permanently removed from service (i.e., asset's use is terminated and the GSA intent to retire the asset has been documented), GSA will recognize the remaining unrecognized portion of the environmental liability in the period the asset is permanently removed from service. Refer to the GSA property accountability policy for details on the determination of an asset being permanently removed from service.

(7) For assets that GSA is no longer legally liable for future cleanup costs (e.g., asset is sold "as is", legal agreement to transfer responsibility), GSA will reduce the previously recognized liability. This might include situations where another entity remediates or assumes responsibility for the environmental contamination.

(8) For environmental related cleanup costs incurred (i.e., cleanup performed by GSA personnel or GSA contractors), GSA will reduce the previously recognized environmental liability.

(9) For GAEs, GSA will recognize environmental related cleanup costs as an expense in the current period for the amount of costs incurred. No environmental liability should be recognized for future costs.

(10) For contamination remediated as a routine part of ongoing operations and maintenance (i.e., O&M), GSA will expense environmental related cleanup costs in the period incurred. No environmental liability should be recognized for future costs.

14. Additional procedures. The PBS Financial Services Division and FAS will develop internal controls to ensure environmental related cleanup costs are identified and recorded in accordance with the accounting treatment for environmental related cleanup costs policy and procedures. Such internal controls will include:

a. Oversight over the execution and documentation of the following processes:

(1) Exercising due care in identifying environmental liabilities (i.e., determining likely contamination)

(2) Determining environmental liabilities (i.e., determining legal liability)

(3) Developing and updating cost estimates for environmental liabilities (i.e., determining reasonably estimable)

b. For actual incurred costs, the separate tracking of the obligation of funds under appropriate accounting line/contract line item number and projects are assigned specific environmental work category codes to allow for proper classification (i.e., expense instead of capitalize).

c. Proper recording of environmental liabilities and cleanup costs in Pegasys.

15. Definitions of Accounting and Environmental Related Cleanup Costs Terms.

a. Accounting useful life. The operating life assigned based on the type of asset with the purpose of accounting for depreciation and amortization. In accordance with SFFAS 6, par. 35.

b. Closure costs. Cleanup costs may include, but are not limited to, decontamination, decommissioning, site restoration, site monitoring, closure, and post closure costs. In accordance with SFFAS 6, par. 87.

c. Costs incurred. The amount of goods delivered or services rendered. In accordance with FASAB Technical Release No. 2.

d. Environmental cleanup. Costs of removing, containing, and/or disposing of hazardous waste from property, or material and/or property that consists of hazardous waste at a permanent or temporary closure or shutdown of associated P&E. Cleanup may include, but is not limited to, decontamination, decommissioning, site restoration, site monitoring, closure, and post closure costs. Cleanup costs also include costs of compensation and benefits for those employees who are expected to devote a significant amount of time directly to the remediation effort. In accordance with SFFAS 6, pars. 85 and 87.

e. Environmental liability. Future outflows or other sacrifices of resources for environmental related cleanup costs resulting from past events, e.g., contamination. The following conditions must be present for recognition: a) contamination is present or likely to be present; b) GSA is legally liable for the environmental related cleanup of the contamination; and, c) future outflows or other sacrifices of resources for environmental related cleanup are probable and reasonably estimable. In accordance with SFFAS 6, par. 91 and FASAB Technical Release No. 2.

f. Environmental site. An asset or combination of assets, with a discrete location for which there is an environmental issue that requires evaluation. Environmental sites must be reviewed to determine if future environmental work required at the site meets the definition of environmental liability. In accordance with FASAB Technical Release No. 2.

g. Equipment. An article of personal property that can be applied to its intended use without merging, losing identity, or being immediately consumed. Shelving and filing cabinets used in record depositories for purposes of record storage are not considered operating or administrative equipment; rather, in this situation, shelving is considered part of real property, in accordance with GSA accounting policy and procedures. FASAB standards also define equipment in Technical Release No. 11, and SFFAS 6. FASAB Technical Release No. 11 defines equipment as any tangible, nonexpendable, personal property having a useful life of more than one year and an acquisition cost of $5,000 or more per unit. SFFAS 6 defines equipment similarly to P&E as a tangible asset that has an estimated life of two or more years, is not intended for sale in the ordinary course of business, and is intended to be used or available for use by the entity.

h. Friable asbestos. Asbestos that, when dry, can be crumbled, pulverized, or reduced to powder by hand pressure and if not contained poses significant and immediate risk to those who come into contact with it. In accordance with FASAB Technical Bulletin 2006-1, Appendix D.

i. Property and Equipment. Any property and equipment, including land acquired for or in connection with other P&E, used in providing goods or services. P&E generally has one or more of the following characteristics: (1) it could be used for alternative purposes but is used to produce goods or service, or to support the mission of the entity; (2) it is used in business type activities; or, (3) it is used by entities in activities whose costs can be compared to those of other entities performing similar activities. In accordance with SFFAS 6, par. 23.

j. Government Acknowledged Event. All costs associated with contaminant clean-up that was caused by a non-Federal entity or a natural disaster. GAEs are non-transaction based events where GSA has no legal liability, but could have an interest or responsibility to provide for employee's safety, the public’s general welfare, or the environment and responds to the event after obtaining budgetary approval. In accordance with SFFAS 5, par. 30.

k. GSA legally liable event. Non-transaction based event where GSA is legally required to cleanup environmental contamination based on a statute, regulation, or court decision, or where the agency has agreed, in an interagency agreement, settlement agreement, or similar legally binding document (e.g., purchase contracts, memorandum of understandings). This may include instances such as damage to a non-Federal property caused by GSA operations, damage to a GSA property resulting from Federal operations, or contamination which GSA is otherwise legally liable to cleanup under regulatory requirements. In accordance with SFFAS 5, par. 27; and FASAB Technical Release No. 2.

l. Hazardous material or substance. Any substance or chemical, which is a "health hazard" or "physical hazard," including: chemicals which are carcinogens, toxic agents, irritants, corrosives, sensitizers; agents which act on the hematopoietic system; agents which damage the lungs, skin, eyes, or mucous membranes; chemicals which are combustible, explosive, flammable, oxidizers, pyrophorics, unstable-reactive or water-reactive; and chemicals which in the course of normal handling, use, or storage may produce or release dusts, gases, fumes, vapors, mists or smoke which may have any of the previously mentioned characteristics. In accordance with Comprehensive Environmental Response, Compensation, and Liability Act Section 101.

m. Hazardous waste. A solid, liquid, or gaseous waste, or combination of these wastes, which because of its quantity, concentration, or physical, chemical, or infectious characteristics, may cause or significantly contribute to an increase in mortality or an increase in serious irreversible, or incapacitating reversible, illness or pose a substantial present or potential threat to human health or the environment when improperly treated, stored, transported, disposed of, or otherwise managed. Examples of hazardous materials encountered by GSA include asbestos (i.e., friable and non-friable), lead based paint, lead pipes, and others as identified by GSA management. In accordance with SFFAS 6, par. 86.

n. Immediate cleanup. Contamination that the GSA Environmental Division has determined to pose a substantial present hazard to human health or the environment and is required by environmental laws or regulations to be remediated or contained and the cleanup effort cannot be deferred and costs must be recognized in the current period.

o. Incremental Cleanup. Removal and special handling of contamination above the normal retirement cost of the asset.

p. Legally liable. Any duty, obligation or responsibility established by a statute, regulation, or court decision, or where the agency has agreed, in an interagency agreement, settlement agreement, or similar legally binding document (e.g., purchase contracts, memorandum of understandings), to assume responsibility for cleanup costs. Legal liability should be determined in consultation with the entity's legal counsel. In accordance with FASAB Technical Release No. 2.

q. Liability. For Federal financial accounting purposes, a future outflow or other sacrifice of resources (e.g., costs) as a result of past events or transactions for which a Federal entity is responsible. This definition is derived from GAAP and does not imply or infer legal liability. In accordance with SFFAS 5, par. 19.

r. Non-friable asbestos. Asbestos that, when dry, cannot be crumbled, pulverized, or reduced to powder by hand pressure and does not pose an immediate health risk as long as the asbestos is not disturbed. Unless explicitly identified as "indefinite non-friable asbestos", the term "non-friable asbestos" refers to non-friable asbestos that can become friable upon disturbance or damage. In accordance with FASAB Technical Bulletin 2006-1, Appendix D.

s. Ongoing operations and maintenance cleanup. Environmental cleanup resulting from an operation or activity that generates hazardous waste, which is managed as part of routine maintenance and day-to-day operations (e.g., disposing of spent bullets and lead dust in a firing range or routine changes of equipment fluids). Any contamination created by the operation or activity is routinely cleaned up as it is created. In accordance with FASAB Technical Release No. 11, pars. 13 and 14.

t. Personal property. Property or assets of a temporary nature or with movable characteristics except real property. Personal property consists of equipment that is classified as either operating equipment or administrative equipment. In accordance with GSA policy and procedures.

u. Permanent removal from service. The termination of an asset's use, accompanied by documented evidence of management's decision to permanently remove the asset from service. In accordance with FASAB Technical Release No. 14, par. 10.

v. Probable. Future event or events (e.g., future outflow for environmental related cleanup costs) are more likely than not to occur. This "more likely than not to occur" definition for probable differs from that related to contingencies associated with pending or threatened litigation and unasserted claims. In this situation, probable refers to future events that are likely to occur because the concept of probability is imprecise and difficult to apply with respect to most legal matters. In accordance with SFFAS 6, Note 67.

w. Reasonably estimable. A future outflow or other sacrifice of resources is reliably quantifiable in monetary terms. In accordance with FASAB Technical Release No. 2.

x. Reasonably possible. A future outflow or other sacrifice of resources (e.g., costs) is more than remote but less than probable. In accordance with SFFAS 5, par. 36.

y. Replacement costs. The cost, or estimated cost, to purchase a new asset or portion of an asset to replace a contaminated asset or portion of an asset. Replacement costs should not be recognized as an environmental liability. In accordance with SFFAS 6, par. 87.

z. Restoration costs. The cost, or estimated cost, of returning a contaminated asset back to its original state or condition. Restoration costs are considered environmental liabilities. In accordance with SFFAS 6, par. 87.

aa. Remote. A future outflow or other sacrifice of resources (e.g., costs) is slight. In accordance with SFFAS 5, par. 36.

CHAPTER 16. DEFERRED MAINTENANCE AND REPAIRS

1. General. This chapter clarifies the definition of deferred maintenance and repairs (DM&R); addresses the distinction between maintenance, repairs, and capital expenditures; and provides reporting requirements.

2. Authority.

a. SFFAS No. 42, Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32.

b. SFFAS No. 40, Definitional Changes Related to Deferred Maintenance and Repairs: Amending SFFAS 6, Accounting for Property, Plant, and Equipment.

c. SFFAS No. 6, Accounting for Property, Plant, and Equipment.

3. Policy.

a. As defined in SFFAS 42, DM&R refers to "maintenance and repairs that were not performed when they should have been or were scheduled to be and which are put off or delayed for a future period." Maintenance and repairs (M&R) refer to activities directed toward keeping fixed assets in an acceptable condition. These activities include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset. M&R, as distinguished from capital improvements, exclude activities directed toward expanding the capacity of an asset or otherwise upgrading it.

b. SFFAS 42, par. 9, permits the following methods to measure DM&R.

(1) Condition assessment surveys, which are periodic inspections of P&E to assess their condition and estimated cost to correct deficiencies, e.g., GSA's Physical Condition Survey used to collect information about the condition of each system within a building.

(2) Life cycle cost forecasts, which are acquisition techniques that consider operating, maintenance, and other costs in addition to the acquisition cost of assets.

(3) Other methods similar to the condition assessment survey or life cycle cost forecast.

c. GSA must report material amounts of DM&R for each major class of P&E in the Required Supplementary Information (RSI) of the financial statements. In addition, narrative information to be reported includes:

(1) M&R policy summary and description of how they are applied;

(2) Policies for ranking and prioritizing M&R activities;

(3) Factors considered in determining acceptable condition standards;

(4) Whether DM&R relates solely to capitalized general P&E or also to amounts related to non-capitalized or fully depreciated general P&E;

(5) Identification of P&E for which management does not measure and/or report DM&R and the rationale for exclusion of other than non-capitalized or fully depreciated P&E;

(6) Beginning and ending balances by P&E category; and

(7) Explanation of significant changes from prior year.

CHAPTER 17. NET POSITION

1. General. Net position is the difference between the assets and liabilities of an agency. Policy guidance on this subject is provided in:

- Statement of Federal Financial Accounting Concepts 2, Entity and Display
- SFFAS 3, Accounting for Inventory and Related Property
- SFFAS 6, Accounting for Property, Plant, and Equipment
- SFFAS 7, Accounting for Revenue and Other Financing Sources

The net position account is comprised of Cumulative Results of Operations, and Unexpended Appropriations. See GSA Order, CFO P 4260.2, Volume 2, Financial Reporting Requirements, for detailed policy and procedures.

2. Prior-period adjustments.

a. Errors in financial statements. Errors in financial statements result from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were prepared. Prior period financial statements should only be restated for corrections of errors that would have caused any statements presented to be materially misstated.

b. Changes in accounting principle. A change in accounting principle is a change from one generally accepted accounting principle to another, or adoption of new Federal financial accounting standards.

(1) The cumulative effect of the change on prior periods should be reported as a "change in accounting principle." The adjustment should be made to the beginning balance of cumulative results of operations in the statement of changes in net position for the period that the change is made.

(2) Prior period financial statements presented for comparative purposes should be presented as previously reported.

(3) The nature of the changes in accounting principle and its effect on relevant balances should be disclosed in the current period. Financial statements of subsequent periods need not repeat the disclosure. See SFFAS 21, Reporting Corrections of Errors and Changes in Accounting Principles, for additional guidance.

CHAPTER 18. SALE OF EASEMENTS

1. Introduction. An easement is a limited right to make use of a property owned by another, e.g. a right of way across the property, such as, permission given to an entity to access land to construct a road or highway adjacent to government property. Guidance on accounting for revenue from the sale of easements is covered by the SFFAS 6 and SFFAS 7. SFFAS 6 classifies easements as a land right and provides that the recognition of land rights be treated in a similar manner as PP&E. SFFAS 7 addresses the accounting treatment for exchange revenue and gains as inflows of resources to a Government entity that the entity has earned.

2. Policy.

a. Funds received from the sale of a short term easement that is unusual or non-recurring, should be recognized as a gain rather than revenue so as to differentiate such transactions.

b. Funds received from the sale of a long term easement should be recognized as a gain rather than revenue so as to differentiate such transactions. If the sale of a long term easement results in a material gain, this amount should also be amortized.

Appendix A. General Services Administration Request for Approval of Non-GAAP Policies

Service/Office: ___________________ Business Line: ______________________

Summary of Request:

List Financial Statement Line Item(s) impacted:

Estimated Annual Dollar Amount: __________________

Estimated Volume of Transactions Monthly: _______ Annually: ________

Justification:

(1) Provide a full justification for the non-GAAP policy including a cost/benefit analysis. Describe the nature of the non-GAAP policy. If this is an accrual issue, please state why an estimate cannot be made or is impractical. Attach any documents used to support the business case (use additional pages if necessary).

(2) Provide an explanation on how the activity will be monitored to ensure that items remain immaterial. State the frequency of the review. State the documentation that will be provided to Office of Financial Management to support periodic assessment of materiality over this item.

____________________________________ _____________________
Signature Date

____
Title

☐ Approve ☐ Disapprove

____ ______________________
Signature Date
Director, Office of Financial Management
Office of the Chief Financial Officer

Comment:

Appendix B. Acronyms

ADA	Antideficiency Act
CFO	Chief Financial Officer
CO	Contracting Officer
DM&R	Deferred Maintenance and Repairs
DOL	Department of Labor
FAS	Federal Acquisition Service
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
FECA	Federal Employees' Compensation Act
FFMIA	Federal Financial Management Improvement Act
FMFIA	Federal Managers Financial Integrity Act
FSSP	Federal Shared Service Provider
GAAP	Generally Accepted Accounting Principles
GAE	Government Acknowledged Events
GAO	Government Accountability Office
GPRA	Government Performance and Results Act
GSA	General Services Administration
GSA IT	GSA Information Technology
IL	Instructional Letter
IPERIA	Improper Payments Elimination and Recovery Improvement Act
M&R	Maintenance and repairs
O&M	Operations and Maintenance
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
PBS	Public Buildings Service
P&E	Property and Equipment
PP&E	Property, Plant, and Equipment
Pub. L.	Public Law
SFFAS	Statement of Federal Financial Accounting Standard
SOP	Standard Operating Procedures
SSO	Services and Staff Offices
TFM	Treasury Financial Manual
TR	Technical Release
U.S.C.	United States Code
USSGL	United States Government Standard General Ledger