

**Forest Service Handbook
National Headquarters - Washington Office
Washington, DC**

**Forest Service Handbook 6509.11m – Servicewide Accrual Handbook
Zero Code**

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Approved by: Antoine L. Dixon, Chief Financial Officer

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Responsible Staff:

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Digest: Following is an explanation of the changes throughout the directive by section.

Zero Code: Creates new responsibilities and removes excess sections. Merges authority and definition section from chapter 30, Accruing Environmental & Disposal Liabilities. Adds additional authority to this chapter.

10: Consolidated and revised direction published in FSH 6509.11m, chapters 10, 20, and 40 into chapter 10. Removed Authority, Definition and Responsibilities sections and procedural information and itemized list of Accruals and all exhibits from each chapter.

20, 30, and 40: Removes direction previously published in chapters 20, 30, and 40 in its entirety.

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01 - Authority

1. Code of Federal Regulations (CFR), Title 40, Part 312.10. This regulation sets forth the qualifications required for an “Environmental Professional.”
2. Financial Accounting Standards Advisory Board (FASAB) Statements of Federal Financial Accounting Standards. No. 1, “Accounting for Selected Assets and Liabilities.” This standard recommends accounting standards for certain assets and liabilities.
3. Financial Accounting Standards Advisory Board Statements of Federal Financial Accounting Standards. No. 5, “Accounting for the Liabilities of the Federal Government.” This Statement establishes accounting standards for liabilities of the Federal Government not covered in Statement of Federal Financial Accounting Standards Number 1, "Accounting for Selected Assets and Liabilities", and in Statement of Federal Financial Accounting Standards Number 2, "Accounting for Direct Loans and Loan Guarantees."
4. Financial Accounting Standards Advisory Board Statements of Federal Financial Accounting Standards. No. 6, “Accounting for Property, Plant, and Equipment.” This statement contains accounting standards for federally owned property, plant, and equipment (PP&E), deferred maintenance on PPE; and cleanup costs.
5. Financial Accounting Standards Advisory Board Statements of Federal Financial Accounting Standards. No. 7, “Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting.” This statement presents standards to account for inflow of resources from revenue and other financing sources. It provides standards for classifying, recognizing, and measuring resource outflows.
6. Financial Accounting Standards Advisory Board Statements of Federal Financial Accounting Standards. No. 12, “Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS No. 5, Accounting for Liabilities of the Federal Government.” This standard provides an exception to the contingent liability standard for recognizing loss contingencies on matters of pending or threatened litigation and unasserted claims.
7. Financial Accounting Standards Advisory Board Technical Bulletin 2006-1: “Recognition and Measurement of Asbestos-Related Cleanup Costs”, issued September 28, 2006. (http://www.fasab.gov/pdf/files/techbulletin_2006.pdf). This technical bulletin clarifies the required reporting of liabilities and related expenses arising from asbestos-related cleanup costs.
8. Financial Accounting Standards Advisory Board Federal Financial Accounting and Auditing Technical Release No. 2: “Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government”

(http://www.fasab.gov/pdffiles/codification_report2010.pdf). This technical release supplements the relevant Federal standards, but is not a substitute for and does not take precedence over the standards issued by General Accountability Office (GAO) and the Office of Management and Budget which have precedence over these and other authoritative guidance for Federal entities.

9. Federal Accounting Standard Advisory Board, Federal Financial Accounting Technical Release 13: “Accrual Estimates for Grant Programs”, August 4, 2010. (http://www.fasab.gov/pdffiles/tr12_final.pdf). This technical release applies to grants that are paid by a federal entity to a non-federal entity. It addresses materiality considerations, risk assessment, and procedures for estimating accruals for grant programs, including acceptable procedures until sufficient relevant and reliable historical data is available for new grant programs or changes to existing programs.

10. Office of the Chief Financial Officer (OCFO) Bulletin 14-02: Recognition and Measurement of Asbestos-Related Cleanup Costs (<https://nfc.usda.gov/Publications/FMS/Bulletins/ocfo-docs/ocfo14-02.pdf>). This Bulletin prescribes the policies and procedures for recognizing and measuring asbestos-related clean-up costs.

11. Office of the Chief Financial Officer Bulletin 15-02: Changes in Significant Accounting Estimates (<https://nfc.usda.gov/Publications/FMS/Bulletins/ocfo-docs/ocfo15-02.pdf>). This bulletin provides guidance for changes in significant accounting estimates.

12. Office of Management and Budget (OMB), Circular A-11, “Preparation, Submission, and Execution of the Budget” (<http://www.whitehouse.gov/omb/circulars/index.html>). This circular provides an overview of the budget process. It discusses the basic laws that regulate the budget process and the terms and concepts you need to know to understand the budget process and the circular.

13. Office of Management and Budget Circular A-123, “Management’s Responsibility for Internal Control”, Appendix A, “Internal Control Over Financial Reporting”. (<http://www.whitehouse.gov/omb/circulars/index.html>). This circular defines management’s responsibility for internal control in Federal Agencies.

14. Office of Management and Budget Circular A-136, “Financial Reporting Requirements” (<https://www.whitehouse.gov/omb/circulars/index.html>). This Circular establishes a central point of reference for all Federal financial reporting guidance for Executive Branch departments, agencies, and entities required to submit audited financial statements, interim financial statements, and Performance and Accountability Reports (PAR) or Agency Financial Report (AFR) under the Chief Financial Officers Act of 1990 (“CFO Act”) (Pub. L. No. 101-576), the Government Management Reform Act of 1994 (GMRA) (Pub. L. No. 103-356), the Accountability of Tax Dollars Act of 2002 (“ATDA”) (Pub. L. No. 107289), and

Annual Management Reports under the Government Corporations Control Act (31 U.S.C. § 9101 et seq.).

15. Resource Conservation and Recovery Act of 1976 (RCRA). RCRA gave the Environmental Protection Agency (EPA) the authority to control hazardous materials from the “cradle-to-grave”. This includes the generation, transportation, treatment, storage, and disposal of hazardous wastes. RCRA also set forth a framework for the management of non-hazardous wastes. (<http://www.epa.gov>).

16. United States Department of Agriculture (USDA) Financial and Accounting Standards Manual. (<http://www.ocfo.usda.gov/acctpol/pdf/fasm.pdf>). This manual instructs USDA agencies on accounting policy and principles for measuring, recognizing, and reporting liabilities associated with environmental restoration cleanup liabilities.

17. United States Treasury Financial Management Service. “United States Standard General Ledger - Treasury Financial Manual, Section 1 Chart of Accounts and Section II Account Descriptions, and Section III Accounting Transactions” (<http://www.fms.treas.gov/ussgl/index.html>). This source provides a list of all general ledger accounts used within the Federal Government and the related transactions.

02 - Objective

The purpose of this handbook is to provide Service-wide standards for determination and recording of accruals for the Forest Service. Accounting instructions for the various topics of revenue and liability are set out in FSH 6509.11k, Service-wide Finance and Accounting Handbook, Chapter 30, Billings and Collections, and Chapter 50, Accounting.

04 - Responsibility

04.1 - Chief Financial Officer

It is the responsibility of the Chief Financial Officer (CFO) to ensure the quality and integrity of the financial data in the Agency’s core accounting systems and its subsidiary systems.

04.2 - Albuquerque Service Center, Director of Budget and Finance (B&F)

It is the responsibility of the Albuquerque Service Center, Director of Budget and Finance, (B&F) to:

1. Determine the appropriate methodology (including any recognition thresholds) for calculating accruals which is reliable, complete, and applied consistently per Federal management controls, budget and accounting standards.
2. Record the determined accrual amounts and reversals into the Agency’s core accounting system as applicable.

3. Maintain historical statistics and trends of accrual estimates in order to assess the accuracy of the accruals retrospectively. Perform accrual analysis annually, at a minimum, to improve methodologies and estimates. Use the analysis to recommend changes to the current methodology, to increase the accuracy and reliability of the amounts accrued.
4. Prepare specific procedural and/or technical operating instructions to comply with the requirements of this directive. Retain such documentation on file and make available for internal or external audit purposes.
5. Maintain an itemized list of material accruals recorded by the Forest Service, as part of 4 above.

04.3 - Director of Financial Policy

It is the responsibility of the Director of Financial Policy to:

1. Issue accounting policy and procedure governing the accrual of liabilities and revenue, consistent with USDA and the Federal accounting standards, to assure the correct timing and recording of the accrual entries.
2. Assist in the implementation and maintenance of the appropriate posting logics to record accruals in accordance with the United States Standard General Ledger (USSGL).

04.4 - Director of Financial Reporting & Reconciliation

It is the responsibility of the Director of Financial Reporting & Reconciliation to:

1. Provide the quality assurance and monitoring required to ensure the correct timing and recording of the accruals.
2. Obtain descriptive details for the footnotes to the financial statements.
3. Provide advisement on the accrual methodology and calculations for accruals to Budget & Finance.
4. Report the Forest Service's accruals in a timely and accurate manner in the financial statements.

04.5 - Director of Audit & Assurance

It is the responsibility of the Director of Audit & Assurance to:

Perform annual oversight and testing for compliance with the USDA and Federal accounting standards as stated in this policy.

04.6 - Director of Financial Systems

It is the responsibility of the Director of Financial Systems to:

1. Process posting logics with the appropriate USSGL including seeking approvals from USDA.
2. Monitor and maintain the Agency's core accounting system.

04.7 - Washington Office Deputy Chiefs, Regional Foresters, Station Directors, Area Director, Forest Products Laboratory Director, International Institute of Tropical Forestry Director, and Forest Supervisors

It is the responsibility of the Washington Office Deputy Chiefs, Regional Foresters, Station Directors, Area Director, Forest Products Laboratory Director, International Institute of Tropical Forestry Director, and Forest Supervisors to:

1. Ensure the timeliness, completeness, quality, and integrity of financial data processed in their areas of responsibility.
2. Manage unpaid obligations, also known as unliquidated orders (ULOs), in compliance with the procedures in FSH 6509.11k, section 56.06. The ULO amounts are the basis for the statistical calculation of the accruals; therefore, accuracy of the accruals is directly dependent on the timely processing and integrity of the ULOs.

05 - Definitions

Accrual. Accounting term for recognizing the unbilled portion of work accomplished by vendors, contractors, grantees, and cooperators (trading partners) that may result in the trading partner seeking payment for which the Government may be liable, under the terms of the instrument. Amounts of delivered orders and other unpaid work accomplished by trading partners (whether invoiced or not) must be recorded in the accounting system, and displayed on financial statements. Revenue Accrual temporarily record the revenue and the related accounts receivable for revenue earned by the Forest Service but for which billing has not taken place. An accrual amount estimated by the Forest Service is not binding on the Government and will not, by itself, result in payment to the vendor.

Accrual Accounting. Accounting that recognizes the financial effects of transactions and events when they occur, whether or not cash changes hands at that time. Accrual accounting records business transactions and events in the accounting period in which they occur, to achieve the optimum matching of income and expenses required by the Matching Principle of Accounting.

Accrued Liabilities. See Accrual.

Accrued Revenue. See Accrual.

Award Period. The period of time during which the trading partner (such as the vendor, contractor, cooperator, or grantee) performs the actions described in the legally binding (obligating) instrument (such as a contract, agreement, or grant), as agreed to in writing with the Federal government entity.

Budget Fiscal Year. The 12-month period, beginning October 1 through September 30, for which an appropriation is authorized.

Debt. "Debt" or "claim" [used synonymously] means any amount of funds or property that an appropriate official of the Federal Government has determined is owed to the United States by a person, organization, or entity other than another Federal agency. Most of the debt collection provisions of the DCIA apply to non-tax debt.

Expense. An outflow of or other decrease in assets, an increase in liabilities, or a combination of both that results in a decrease in the Government's net position during the reporting period.

IPAC. The U. S. Department of the Treasury's automated network for "Intra-governmental Payments and Collections," designed to eliminate the need for Federal entities to issue non-electronic payments, such as paper checks to each other.

Liability. A present obligation of the Federal Government to provide assets or services to another entity at a determinable date, when a specified event occurs, or on demand.

Matching Principle. Assets that produce revenue in any one accounting period should be matched with the expenses it took to generate that revenue in the same time period, or over the periods in which benefits are received from that expenditure. The matching principle is a fundamental concept of basic accounting.

Materiality. A pervasive concept that relates to the qualitative characteristics, especially relevance and reliability. Materiality and relevance are both defined in terms of what influences or makes a difference to a decision maker, but the two terms can be distinguished. A decision not to disclose certain information may be made, say, because investors have no need for that kind of information (it is not relevant) or because the amounts involved are too small to make a difference (they are not material). Magnitude by itself, without regard to the nature of the item and the circumstances in which the judgment has to be made, will not generally be a sufficient basis for a materiality judgment

Obligations. Amounts of orders placed, contracts awarded, services received, and other transactions occurring during a given period that would require payments during the same or a future period.

Performance Reporting Period. The period of time related to the accomplishment of the tasks for which the trading partners have agreed to perform, whether billed or unbilled. Periodic performance reports reflect the actual work accomplished as well as any related costs incurred. This information may be used to develop statistical models for accruals.

Receivable. A debt or receivable is created when a responsible Federal official determines that an amount is owed. There is no requirement that an amount be litigated or adjudicated prior to its consideration as a receivable. However, a debt may not be collectible until the amount is fixed (or is otherwise finally adjudicated).

Received. An invoice is deemed "received" and the appropriate payment period starts on the latter of these two dates:

1. The date the Agency marks the invoice with the date of receipt; and
2. The 7th day after the date on which goods are delivered or services are completed, unless acceptance occurs earlier or a longer acceptance period is specified in the contract.

If the Agency does not mark an invoice with the date of receipt, the date that the contractor put on the invoice starts the payment period.

Revenue. An inflow of resources that the Government demands, earns, or receives by donation. Revenue *may originate* from two sources: exchange transactions and nonexchange transactions. Exchange revenues arise when a Government entity provides goods and services to the public or to another Government entity for a price. Another term for "exchange revenue" is "earned revenue." Nonexchange revenues arise primarily from exercise of the Government's power to demand payments from the public (such as, taxes, duties, fines, and penalties) but also include donations. Amounts of earned revenue and related accounts receivable, must be recorded in the accounting system, and displayed on financial statements, for the fiscal year in which revenue was earned and reportable.

Spending Chain. The series of accounting events and transactions that occur when purchasing goods and/or services, or when other expenditures are anticipated.

"Straight" or "Non-Referencing" Payments. Transactions that exclude the recording of an undelivered order obligation because of the short time span (usually 30 days or less) between the placement of the order and the delivery of the goods and services. Examples of "straight" or "non-referencing" payments are blanket purchase arrangement charges and purchase card transactions, where payment is made almost immediately for goods or services ordered or received. This does not include payments in excess of 30 days to complete the spending cycle from initiation to payment.

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Trading Partners. The vendors, grantees, cooperators, and contractors with whom Forest Service conducts business.

Unbilled Account Receivable. A Forest Service term describing amounts due from customers for which a bill, for services already rendered, has not been issued.

United States Standard General Ledger (USSGL). Accounting guidelines issued by the U. S. Department of the Treasury, including a chart of accounts and standard account postings for mandatory use by all Federal Government entities.

For additional guidance refer to FSH 6509.11m, Chapter 10, Accruing Revenue and Liabilities and FSH 6509.11m, chapter 20, Accruing Environmental & Disposal Liabilities and Asbestos Related Clean-up Costs.