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REVIEW GUIDE



FOR

FEDERAL AGENCY

STATEMENTS OF ACCOUNTING PRINCIPLES AND STANDARDS

UNITED STATES GENERAL ACCOUNTING OFFICE

AUGUST 1974

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WITH CHANGE NO. 1

C O N T E N T S

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Revision No. 1 - Review Guide for Federal Agency Statements of
Accounting Principles and Standards - August 1974.

Attached principles and standards check list for payroll should be inserted as Section 9. The review guide should also be revised as follows:

Table of Contents:

Change Section 9 Financial Reporting and 10 Other Internal Controls to 10 and 11 respectively.

Change pages 23 and 25 to 32 and 34.

Add section 9, Accounting for Payroll and page 23.

The last paragraph on page II in the Introduction should be revised to read:

There are separate review guides for reviewing (1) accounting system designs, (2) payroll system designs, and (3) ADP aspects of accounting and payroll system designs.

Page and Section Numbers

Change number of pages 23,24, and 25 to 32,33 and 34.

Section numbers and index numbers for section 9 Financial Reporting and 10 Other Internal Controls should be changed to 10 and 11 respectively.

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REVIEW GUIDE FOR
FEDERAL AGENCY STATEMENTS OF ACCOUNTING PRINCIPLES AND STANDARDS

INTRODUCTION

This review guide is designed to be used by the GAO Financial Management Staff to systematically consider and review Statements of Accounting Principles and Standards submitted by executive agencies for approval by the Comptroller General. The guide may also be used by staffs of other Federal agencies in developing their Statements of Accounting Principles and Standards to the point where approval by the Comptroller General can be requested.

As with any series of questions used as a guide, there is the risk of using them mechanically and of considering the list all inclusive. The scope and nature of accounting systems being what they are, no practicable list can be devised that will cover all aspects of all systems in the Federal Government. This series of questions covers the broader aspects of agency accounting systems as set forth in the Comptroller General's principles and standards (Title 2), and as such, is usable in the review of all Federal agency systems.

The guide is organized on the basis of questions to be answered "yes", "no", or "not applicable". Most of the questions are directly related to the accounting principles and standards prescribed by the Comptroller General, as revised in 1972.

References shown in parenthesis after each question (or set of questions) refer to the applicable section of Title 2 upon which the question is based. (A few questions do not contain specific references to Title 2, but these questions are considered important enough to a review of accounting principles and standards to warrant their inclusion.)

A positive answer to any of the questions should be followed by a specific reference to the pertinent part of the agency's submission which contains, or indicates compliance with, that principle or standard.

A negative answer to a question indicates a deviation from the prescribed accounting principle or standard and should be referenced to statements or explanations in the agency's submission which explain why the indicated deviation is justifiable and reasonable in the specific circumstances. Space is provided at the end of each section for explanations and comments.

An answer of "not applicable" should also be explained but would not necessarily require an explanation in the formal submission by the executive agency.

There are separate review guides for reviewing (1) accounting system designs, (2) payroll system designs, and (3) ADP aspects of accounting system designs, (2) ADP Aspects of an Accounting System Design, (3) and payroll system designs. Payroll Principles and Standards, and (4) Payroll Systems Designs.

SECTION 1
RELATIONSHIP OF ACCOUNTING SYSTEMS
TO OTHER FINANCIAL MANAGEMENT FUNCTIONS

	<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
1. Will accounting classifications be consistent with the planning, programming and budgeting classifications? (8.6)	_____	_____	_____
2. Will the accounting classifications be synchronized with the agency's organization structure? (8.6)	_____	_____	_____
3. Does the statement clearly identify the system or systems to which it applies? (27.4)	_____	_____	_____
4. Will transactions be recorded in the agency accounts only at the level at which originally recorded? (8.7)	_____	_____	_____
5. Will each successively higher level of reporting be a consolidation of reporting levels below it? (8.7)	_____	_____	_____
6. Will the system provide for interlocking accounting relationships and technical supervision between offices to assure the validity of consolidated agency reports? (8.7)	_____	_____	_____
7. Will the bases of accounting and reporting (in terms of obligation, current and capital expenditures or costs) be consistent with the basis the agency plans for its budgeting system:			
a) For budgets presented to the Congress?	_____	_____	_____
b) For operating budgets used internally to control budget execution?	_____	_____	_____
8. Does the statement indicate that the accounting system will be responsive to pertinent provisions of laws, executive orders, Office of Management and Budget, General Services Administration, and Treasury Department instructions, and other regulations? (8.1,8.2)	_____	_____	_____

9. Will the system be designed to provide all data required by:

- a) The Office of Management and Budget? (8.2)
- b) The Department of the Treasury? (8.2)
- c) Other executive branch agencies? (8.2)
- d) The Congress? (8.2)
- e) Internal management? (8.2)

<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

COMMENTS:

- 1. Explain all negative answers.

PRINCIPLES AND STANDARDS

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SECTION 2FUND CONTROL

	<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
1. Have regulations been issued to govern the administrative control of funds? (10.1)	_____	_____	_____
2. Have the regulations been approved by the Office of Management and Budget or the General Services Administration? If so, when? _____ (10.1)	_____	_____	_____
3. Have the regulations been incorporated in, or attached as an appendix to, the principles and standards statement? (10.1)	_____	_____	_____
4. Do the regulations or the principles and standards statement provide for controls which will restrict obligations or expenditures (disbursements) from exceeding:			
a) Amounts appropriated? (10.1)	_____	_____	_____
b) Balances in the fund? (10.1) Revolving funds, etc.)	_____	_____	_____
c) Amounts apportioned? (10.1)	_____	_____	_____
d) Divisions (allotments) or subdivisions of apportionments? (10.1)	_____	_____	_____
e) Any specific statutory limitations? (10.7)	_____	_____	_____
5. Do the regulations provide that responsibility will be fixed for the creation of any obligation, the incurrence of any expenditure, or the making of any disbursement, in excess of an apportionment, reapportionment, or other subdivision? (10.1)	_____	_____	_____
6. Will divisions and subdivisions of apportionments be made only at the highest practical level?	_____	_____	_____
a) Will they be consistent with assignments of responsibility, and be limited in number to those essential for effective control? (10.6)	_____	_____	_____
b) Will they be within the amount apportioned? (10.6)	_____	_____	_____

SECTION 3

ACCOUNT STRUCTURE

	<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
1. Are entities for which separate groups of accounts are to be established clearly defined? (11.1)	_____	_____	_____
2. Does the definition take into consideration the agency's legal authorities, assigned responsibilities and reporting requirements? (11.1)	_____	_____	_____
3. Will general ledger accounts be maintained to account for assets, liabilities, investment of the U. S. Government, investment of others, revenues, and costs? (11.4)	_____	_____	_____
4. Will interagency and interfund transactions be separately identified in:			
a) The accounts or records? (8.7)	_____	_____	_____
b) The financial statements? (8.7)	_____	_____	_____
5. Will transactions be identified by appropriation or fund? (11.2)	_____	_____	_____
6. Will the system provide for the recording of accrual data:			
a) As incurred? (9.1)	_____	_____	_____
b) At month-end through the use of an inventory of transactions? (9.1)	_____	_____	_____

COMMENTS:

1. Explain all negative answers.

PRINCIPLES AND STANDARDS
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SECTION 4ACCOUNTING FOR ASSETS

	<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
<u>General</u>			
1. Will assets be:			
a) Recorded in the accounting records in the month acquired? (9.1)	_____	_____	_____
b) Written off or written down only with proper authorization? (12.1)	_____	_____	_____
c) Disposed of or allowed to leave the possession of the Government only with proper authorization? (12.1)	_____	_____	_____
<u>Cash</u>			
2. Will records of receipts be made immediately when received? (12.2(1)(A))	_____	_____	_____
3. Will receipts be promptly deposited? (12.2(1)(A))	_____	_____	_____
4. Will disbursements be recorded promptly? (12.2(1)(B))	_____	_____	_____
5. Does the statement indicate which bases will be used for recording disbursements--paid or approved vouchers? (12.2(1)(B))	_____	_____	_____
6. Will records be maintained so that only transactions consummated during the accounting period will be included? (12.2(1)(C))	_____	_____	_____
7. Will separate accounts for major categories of cash be used? (12.2(1)(D))	_____	_____	_____
8. Will separate cash accounts be maintained for each appropriation or fund? (11.2)	_____	_____	_____
9. Will the system comply with all applicable requirements imposed externally for the handling of cash resources? (12.2(2))	_____	_____	_____
10. Will the procedures prescribed by the Secretary of the Treasury relating to the administration of all foreign currency assets be followed? (12.3)	_____	_____	_____

	<u>Answer</u>	<u>Page reference</u>	<u>Paragra referen</u>
11. Will reports disclose the dollar value of foreign currencies? (12.3)	_____	_____	_____
12. Will reports separately disclose the dollar value of foreign currencies which are not realizable in terms of U.S. currency? (12.3)	_____	_____	_____
<u>Receivables</u>			
13. Will amounts receivable be recorded promptly upon completion of the acts which entitle the agency to collect amounts owing to it? (12.4(1))	_____	_____	_____
14. Will amounts recorded as receivables consist of amounts owed to the agency? (12.4(2))	_____	_____	_____
15. Will separate accounts for major categories of receivables be maintained? (12.4(3))	_____	_____	_____
16. Will accounts or records identify intragovernmental receivables? (8.7, 12.4(3))	_____	_____	_____
17. Will separate receivable accounts be maintained for each appropriation and fund? (11.2)	_____	_____	_____
18. Will loans be accounted for as receivables <u>only</u> after funds have been disbursed? (12.4(4))	_____	_____	_____
19. Will the balance of loans authorized but not disbursed be disclosed in explanatory notes to financial reports? (12.4(4))	_____	_____	_____
20. Will records be maintained so that all transactions affecting receivables during the accounting period will be included? (12.4(5))	_____	_____	_____
21. Will estimates of uncollectible accounts be made and recorded in the accounts and disclosed separately in financial reports? (12.4(6))	_____	_____	_____
22. Will reports disclose:			
a) The dollar value of receivables that are collectible in foreign currency? (12.4(7))	_____	_____	_____
b) The dollar value of receivables that are collectible in foreign currency that is not freely convertible to U.S. currency? (12.4(7))	_____	_____	_____

	<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
23. Will advances and prepayments be recorded as assets until the expenditures have accrued? (12.6)	_____	_____	_____
<u>Property Accounting</u>			
24. Will separate accounts be used for significant classifications of property? (12.5(c))	_____	_____	_____
25. Will the property accounts include grantee-acquired property for which title is or may be vested in the Government? (16.8(c))	_____	_____	_____
26. Will property accounts or records include grantee-acquired property for which the Government has reversionary rights?(16.8(c))	_____	_____	_____
27. Will procedures be followed to record in the accounts, as of the date the agency takes custody, the cost of:			
a) Purchased property? (12.5(c))	_____	_____	_____
b) Property transferred from other agencies? (12.5(c))	_____	_____	_____
c) Property obtained by other means? (12.5(c))	_____	_____	_____
28. Will property records identify physical quantities and locations of property?(12.5(d))	_____	_____	_____
29. Will cost be the primary basis of accounting for property? (12.5(c))	_____	_____	_____
30. Will acquisition cost include:			
a) The basic cost of property, net of discounts? (12.5(d))	_____	_____	_____
b) Transportation and installation costs whether paid initially by the vendor or directly by the agency? (12.5(d))	_____	_____	_____
31. Where incurred costs are not measured or known, will an alternative basis, such as appraised value, be used? (12.5(c))	_____	_____	_____

	<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
32. Have clear criteria for capitalizing fixed assets been established? (Comment on appropriateness of criteria used.) (12.5(d))	_____	_____	_____
33. Does the statement indicate whether handling and storage costs will be considered as:			
a) A cost of the materials or supplies?(12.5(d))	_____	_____	_____
b) An operating cost? (12.5(d))	_____	_____	_____
34. Will interagency transfers of property be accounted for by the receiving agency:			
a) If on a reimbursable basis, at the transfer price as determined by agreement or application of appropriate statutory requirements or central agency regulations, but at not less than its estimated useful value? (12.5(d))	_____	_____	_____
b) If on a non-reimbursable basis, at an estimated price taking into consideration its usefulness to the agency, condition, and estimated market value? (12.5(d))	_____	_____	_____
35. Will the cost of property acquired as a result of a trade-in be recorded as the lesser of (1) the cash paid or payable, plus the amount allowed by the seller on the traded-in property or (2) what the purchase price would have been had there been no trade-in? (12.5(d))	_____	_____	_____
36. Will the cost of property acquired by foreclosure processes be measured by the agency's investment in the assets?(12.5(d))	_____	_____	_____
37. Will property acquired by donation, devise, forfeiture or confiscation be recorded at the estimated amount representing what the Government would be willing to pay for it giving due consideration to usefulness, condition and estimated market value?(12.5(d))	_____	_____	_____
38. Will the cost of property acquired under lease-purchase contracts, which in substance represent installment purchasing, include the purchase price under the contract and related costs incurred by the Government? (12.5(d))	_____	_____	_____
39. Will property acquired under lease-purchase contracts be capitalized either upon acceptance of the property from the contractor or when the option to purchase is exercised?(12.5(d))	_____	_____	_____

	<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
40. Will construction costs include all significant cost elements regardless of how they are financed? (12.5(d))	_____	_____	_____
41. Will the system of controls over constructed property assure that:			
a) Total cost incurred during construction will be accumulated in the accounts and properly classified for reporting purposes? (12.5(d))	_____	_____	_____
b) Upon completion of the project, total costs are properly classified in the fixed property accounts? (12.5(d))	_____	_____	_____
42. Will costs incurred in making additions, alterations, betterments, rehabilitations or replacements be capitalized where the changes significantly extend the useful life of the property or its capacity to render service? (12.5(e))	_____	_____	_____
43. Will the cost of features superseded or destroyed in the process of making changes be removed from the accounts? (12.5(e))	_____	_____	_____
44. Will repair and maintenance costs incurred to keep property in satisfactory operating condition be accounted for as current operating costs? (12.5(e))	_____	_____	_____
45. Is the method to be used to charge material and supplies issued from inventories to using activities indicated? (12.5(d))	_____	_____	_____
46. Will records be maintained to control property not owned by the agency but held in its custody? (12.5(f))	_____	_____	_____
47. Will physical inventories of expendable materials and supplies be taken? (12.5(g)) How often? _____	_____	_____	_____
48. Will physical inventories of fixed assets be taken? (12.5(g)) How often? _____	_____	_____	_____

	<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
49. Will quantities determined by physical inventory be reconciled to the accounting records? (12.5(g))	_____	_____	_____
a) Will accounting records be brought into agreement with the results of physical inventories? (12.5(g))	_____	_____	_____
b) Will differences be investigated to determine the cause and identify improvements in procedures necessary to prevent future losses or errors? (12.5(g))	_____	_____	_____
50. Will the cost or other basis for accounting for property retired from service and disposed of be removed from the accounts along with any accumulated depreciation? (12.5(e))	_____	_____	_____
51. Will property retired from service, but not disposed of, be classified separately? (12.5(e))	_____	_____	_____
52. Will removal costs and amounts realized from disposal be considered in determining the loss or gain on disposed property? (12.5(e))	_____	_____	_____
53. Will the book value of property transferred to other Federal agencies without reimbursement be accounted for as a reduction of the investment of the U.S. Government? (12.5(e))	_____	_____	_____
54. When depreciation is to be accounted for, will capitalized costs be written off over the estimated useful life of the assets? (12.5(h))	_____	_____	_____
55. Will amounts to be written off be reduced by estimated salvage value? (12.5(h))	_____	_____	_____

COMMENTS:

1. Explain all negative answers.

2. Explain response for question #32

PRINCIPLES AND STANDARDS

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SECTION 5
ACCOUNTING FOR LIABILITIES

	<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
1. Will liabilities be recorded in the accounts in the month in which incurred? (13.2(1))	_____	_____	_____
2. Will funded liabilities be identified separately from unfunded liabilities in the accounts? (13.2(4))	_____	_____	_____
3. Will liabilities be removed from the accounts in the month in which liquidated? (13.2(1))	_____	_____	_____
4. Will unfunded annual leave liability be recorded or adjusted in the accounts:			
a) At least annually? (16.8(a))	_____	_____	_____
b) More frequently than annually? (16.8(a))	_____	_____	_____
5. Will recorded liabilities represent only amounts owed under contractual or other arrangements governing the transactions? (13.2(2))	_____	_____	_____
6. Will liabilities be accounted for and reported irrespective of whether funds are available or authorized for their payment? (13.2(3))	_____	_____	_____
7. Will separate accounts be maintained for major categories of liabilities? (13.2(4))	_____	_____	_____
8. Will the accounts identify intragovernment liabilities? (13.2(4), 8.7)	_____	_____	_____
9. Will records of contingent liabilities be maintained as part of the accounting system and material amounts of such liabilities be explained in a footnote to the balance sheet? (13.3)	_____	_____	_____
10. Will the purchase price included in lease-purchase contracts which are in substance installment purchasing be recorded as a liability either on acceptance of the property from the contractor or when the option is exercised? (13.5)	_____	_____	_____
11. Will lease-purchase contract liabilities be reduced on the basis of periodic payments? (13.5)	_____	_____	_____

	<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
12. Where the liability to pay for work is incurred as it is performed, rather than when deliveries are made, will accrued expenditures and the related liabilities be recorded on the basis of performance? (13.6)	_____	_____	_____
13. Will the liability be recorded on the basis of documented transactions where the agency has determined it would be impractical to record unbilled contractor performance?(13.6)	_____	_____	_____
14. Will amounts received as advances prior to delivery of materials or services be accounted for as liabilities? (13.7)	_____	_____	_____
15. In revolving funds, will accounts separately identify the funded and unfunded portion of the accrued annual leave liability? (13.9)	_____	_____	_____
16. Where the agency has responsibility for conducting Federal insurance, pension or other similar programs:			
a) Will actuarial techniques be used to estimate the liabilities incurred?(13.4)	_____	_____	_____
b) Will the system incorporate in the accounts and financial reports information on current costs and liabilities measured on an actuarial basis, regardless of whether funds are available for payment of the liability? (13.4)	_____	_____	_____
c) Are the criteria prescribed for determining when the obligation, expenditure, disbursement, and cost relating to liabilities (determined on an actuarial basis) will be recognized in the accounts and financial reports? (13.4)	_____	_____	_____

COMMENTS:

1. Explain all negative answers.

PRINCIPLES AND STANDARDS
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SECTION 6
ACCOUNTING FOR THE
INVESTMENT OF THE U.S. GOVERNMENT

	<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
1. Will accounts or records be maintained to disclose the current status of appropriations received and fund balances in terms of:			
a) Apportionments? (14.2)	_____	_____	_____
b) Divisions (allotments) and subdivisions? (14.2, 10.6)	_____	_____	_____
c) Revenues? (14.2)	_____	_____	_____
d) Reimbursements? (14.2)	_____	_____	_____
e) Obligations? (14.2)	_____	_____	_____
f) Disbursements? (14.2)	_____	_____	_____
g) Accrued expenditures? (14.2)	_____	_____	_____
h) Collections? (14.2)	_____	_____	_____
2. Will appropriate investment accounts be maintained to disclose:			
a) Amounts obtained from the U.S. Treasury by borrowing until repaid or otherwise liquidated? (14.1, 14.3)	_____	_____	_____
b) Property and services received from other Federal agencies without reimbursement? (14.1, 14.4)	_____	_____	_____
c) Transfers of property to other Federal agencies without reimbursement? (14.1, 14.4)	_____	_____	_____
d) Donations of cash, property, or services from sources other than another Federal agency? (14.1, 14.5)	_____	_____	_____
e) Receipts returned to U.S. Treasury? (14.1)	_____	_____	_____

	<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
3. For revenue-producing activities, will:			
a) The accumulated net income or loss from operations be separately accounted for and disclosed in financial reports? (14.1, 14.6)	_____	_____	_____
b) The determination of net income take into consideration all costs of operations and revenues during the reporting period, with the exception of adjustments applicable to prior years? (14.6)	_____	_____	_____
c) Extraordinary items be segregated from the results of ordinary operations on financial reports? (14.6)	_____	_____	_____
d) Direct charges to accumulated net income be restricted to distribution of income to the U.S. Treasury and prior period adjustments? (14.6)	_____	_____	_____

COMMENTS:

1. Explain all negative answers.

PRINCIPLES AND STANDARDS
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SECTION 7
ACCOUNTING FOR REVENUES

	<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
1. Will revenues be recorded in the month earned or when determined to be owed to the Government where no performance is required? (15.3)	_____	_____	_____
2. Are the key events or circumstance used as a basis for recording revenues earned identified? (15.3)	_____	_____	_____
3. Will these identified events or circumstances establish the point when the revenues become realizable, with reasonably practicable certainty? (15.3)	_____	_____	_____
4. Will revenues be classified by type? (15.3)	_____	_____	_____
5. Will amounts be billed and collected promptly when due? (15.2)	_____	_____	_____
6. Will financial reports on revenue producing operations be prepared comparing revenues earned with the cost of providing the service or product for each type of revenue? (17.2(b))	_____	_____	_____
7. Will amounts received in advance of performance be accounted for as liabilities until revenues are earned? (15.3)	_____	_____	_____

COMMENTS:

1. What types of revenue are included in this agency 's operations?

2. Explain all negative answers.

PRINCIPLES AND STANDARDS
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SECTION 8
ACCOUNTING FOR COSTS

	<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
1. Do the functions to be accounted for include activities through which goods and services are provided to:			
a) Non - Federal users?	_____	_____	_____
b) Federal users?	_____	_____	_____
2. Is recovery of total cost required:			
a) From non - Federal users?	_____	_____	_____
b) From Federal users?	_____	_____	_____
3. Will accrued expenditures be used in lieu of costs? (If so, change "cost" to "accrued expenditure" in all remaining questions in this section.)	_____	_____	_____
4. Will all significant elements of cost be accounted for? (16.4)	_____	_____	_____
5. Are all exceptions to accounting for all significant elements of cost supported by an explanation of:			
a) Why the difference in the financial information results is inconsequential? (27.4)	_____	_____	_____
b) How the proposed alternative method would provide reasonably complete, accurate, and reliable data for management needs? (27.4)	_____	_____	_____
6. Will cost data be accumulated by:			
a) Major organization segments? (16.4)	_____	_____	_____
b) Budget activities? (16.4)	_____	_____	_____
c) Program structure? (16.4)	_____	_____	_____
d) Detailed projects, or activities (where needed)? (16.4)	_____	_____	_____
7. Will cost-finding techniques be used to obtain cost data by program structure when maintenance of detailed program cost classifications are not justified? (16.4)	_____	_____	_____

	<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
8. Does the statement contain an explanation of why cost-finding techniques will be used? (27.4)	_____	_____	_____
9. Will costs be classified according to the types of costs incurred (such as labor, materials, contractual services)? (16.5)	_____	_____	_____
10. Will costs be classified as to (1) capital acquisitions or (2) current operating expenses? (16.5)	_____	_____	_____
11. Will the following costs be recorded in the accounting system:			
a) Depreciation of capital assets? (16.8(b))	_____	_____	_____
b) Costs of annual leave earned but not taken? (16.8(a))	_____	_____	_____
c) Costs of other forms of leave? (16.8(c))	_____	_____	_____
d) Materials and supplies issued from inventory account? (12.5(d))	_____	_____	_____
e) Cost of property and services furnished by Government agencies without reimbursement? (16.8(d))	_____	_____	_____
f) Interest on advances or borrowings from the Treasury? (16.8(e))	_____	_____	_____
g) Late payment penalties? (12.5(d))	_____	_____	_____
h) Costs under grant programs? (16.8(c))	_____	_____	_____
12. <u>LEAVE COSTS</u>			
a) Will the costs of employees' annual leave earned but not taken be recorded at least at the close of each fiscal year? (16.8(a))	_____	_____	_____
b) Will the costs be recorded more frequently than annually? (16.8(a))	_____	_____	_____
c) Will the costs be distributed to each level of the cost-accounting structure--organizational units, programs, and budget activities/ (16.4)	_____	_____	_____

	<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
d) Will employees' other nonduty pay (time that the employee does not work--holiday, sick leave taken, etc.) be distributed to appropriation/funds, budget activities, programs, and major organizational units? (Explain rationale for allocation) (16.8(a))	_____	_____	_____
13. <u>COSTS INCURRED AND PAID BY OTHER FEDERAL AGENCIES</u>			
a) Are there any significant costs related to the agency's operations which are incurred and paid by another Federal agency without reimbursement? (If yes, explain the types of costs involved, and answer the following.) (16.8(d))	_____	_____	_____
b) Will the agency account for costs related to its operation when such costs are incurred and paid by other agencies?(16.8(d))	_____	_____	_____
c) Are such costs included when:			
1) Determining the total cost of operations? (16.8(d))	_____	_____	_____
2) Comparing revenues earned with costs of operations?(16.8(d))	_____	_____	_____
3) Determining reimbursement rates?(16.8(d))	_____	_____	_____
4) Making cost comparisons? (16.8(d))	_____	_____	_____
d) Will the amounts recorded be based on information obtained from the performing agency? (16.8(d))	_____	_____	_____
e) Will such costs be separately identified in agency financial reports? (16.8(d))	_____	_____	_____
14. <u>INTEREST ON THE U.S. GOVERNMENT INVESTMENT</u>			
a) Are interest costs recorded when required by law to be paid? (16.8(e))	_____	_____	_____
b) Do cost data used in making comparisons for purposes of management decisions (such as make-or-buy) include an interest factor even though not recorded in the accounts? (16.8(e))	_____	_____	_____

	<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
15. <u>GAINS AND LOSSES ON EXCHANGE TRANSACTIONS</u>			
a) Will gains or losses realized on exchange transactions be disclosed in agency accounts and financial statements? (16.8(f))	_____	_____	_____
b) Will the amount represent the difference between the value received and the investment in materials or services exchanged?(16.8(f))	_____	_____	_____
c) Will other losses which have been incurred or which may reasonably be expected to occur during the accounting period be recognized in agency accounts and disclosed in financial reports? (16.8(f))	_____	_____	_____
16. <u>COSTS UNDER GRANT PROGRAMS</u>			
(Complete only if agency administers grant programs.)			
a) If agency makes payment to grantees in advance of performance of work, answer the following:			
1) Will payments be accounted for as advances (asset account) until evidence is received that work has been performed? (16.8(c))	_____	_____	_____
2) When evidence of performance is received, will the advances (asset account) be reduced and the cost of the work recorded? (16.8(c))	_____	_____	_____
3) Will reports be required from grantees to show how the funds were applied, the unused fund balance, and property applied and acquired? (16.8(c))	_____	_____	_____
4) Will reports be required at reasonably frequent intervals? (16.8(c)) How frequently? _____	_____	_____	_____
5) If <u>monthly</u> reports from the grantees are not contemplated, will some other appropriate basis be used to estimate grantee performance? (16.8(c))	_____	_____	_____

	<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
b) Answer the following if the agency requires performance of work by the grantee <u>before</u> making payment:			
1) Will the agency record the unpaid liability and performance based on grantee reports? (16.8(c))	_____	_____	_____
2) Will payments be accounted for as a reduction of the liability to the grantee? (16.8(c))	_____	_____	_____
3) Will reports of performance from the grantee be required at reasonably frequent intervals? How frequently? (16.8(c))	_____	_____	_____
4) In the absence of monthly reports from grantees, will some other appropriate basis be used for estimating performance monthly? (16.8(c))	_____	_____	_____
c) If no performance or reporting by grantees is required or if payments are scheduled to correspond with performance, will payments to grantees be accounted for as cost incurred and liquidation of the obligation? (16.8(c))	_____	_____	_____
d) Will at termination of a grant:			
a) Unused and improperly applied funds be collected or appropriately adjusted by offset, or utilized in accordance with the conditions of the grant? (16.8(c))	_____	_____	_____
b) Arrangements be made for disposition of Government-owned property and property to which the Government has reversionary rights? (16.8(c))	_____	_____	_____
17. <u>DEPRECIATION</u>			
a) Will depreciation of capital assets be accounted for? (16.8(b)) How often _____. At what level _____.	_____	_____	_____
(If the answer to the question is no, answer 1 thru 5) (12.5(h))			
Does the agency have operations where depreciation cost is needed to:			
1) Compare revenues earned with costs of operation?	_____	_____	_____

	<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
2) Determine reimbursements?	_____	_____	_____
3) Determine total cost of "in-house" constructed property to be capitalized?	_____	_____	_____
4) Determine total cost as required by law?	_____	_____	_____
5) Determine total cost of operations for making cost comparisons, evaluating performance, and devising future plans?	_____	_____	_____
b) Will financial statements or notes contain a general description of the methods used in computing depreciation of major classes of depreciable assets? (12.5(h))	_____	_____	_____

OTHER

18. Will quantitative data relating to performance or output be related to costs incurred? (16.4)	_____	_____	_____
19. Will the system be capable of producing cost data for comparison with approved financial plans (operating budgets)? (16.2, 30.1)	_____	_____	_____
20. Will cost reports be prepared for internal management use which are consistent with assignments of responsibility? (16.4)	_____	_____	_____
21. Will separate accounts be maintained for unusual costs or losses which are nonrecurring but substantial in nature? (16.8(g))	_____	_____	_____
22. Will such unusual costs or losses be separately classified in operating statements? (16.8(g))	_____	_____	_____

COMMENTS

1. Explain all negative answers.

2. Explain any significant elements of cost not included in cost reports.

PRINCIPLES AND STANDARDS

REVIEWED BY: _____ Date _____

SECTION 9ACCOUNTING FOR PAYROLL

	<u>Answer</u>	<u>Page Reference</u>	<u>Paragraph Reference</u>
1. Will the payroll system be an integral part of the accounting system? (6 GAO 13)	_____	_____	_____
2. Will payroll costs be accumulated by: (2 GAO 16.4 and 6 GAO 13)			
(a) Major organization segments?	_____	_____	_____
(b) Budget activities?	_____	_____	_____
(c) Program structure?	_____	_____	_____
(d) Other needed categories?	_____	_____	_____
3. Will procedures for processing pay, leave, and allowances be uniform within the agency? (6 GAO 7 and 14)	_____	_____	_____
4. Will control records and other control features be maintained over payroll operations? (6 GAO 15)	_____	_____	_____
5. Will controls be applied to all pertinent documents which affect the computation of earnings and amounts due? (6 GAO 15.1)	_____	_____	_____
6. Will employees engaged in the preparation and maintenance of documents authorizing or evidencing payments be prohibited from servicing their own individual account? (6 GAO 15.1)	_____	_____	_____
7. Will controls be incorporated in the system to ensure that the processing of payroll data is accurately performed? (6 GAO 15.2)	_____	_____	_____

	<u>Answer</u>	<u>Page Reference</u>	<u>Paragraph Reference</u>
8. Will payment of payroll be certified by an authorized certifying officer who does not compute the individual amounts payable, maintain the payroll records, or distribute the pay checks or envelopes? (6 GAO 9 and 15.3)	_____	_____	_____
9. Will regular employees be paid not more often than every 2 weeks? (6 GAO 15.5)	_____	_____	_____
10. Will the time lag between the close of the pay period and the payment be not in excess of 12 days? (6 GAO 15.6)	_____	_____	_____
11. Will payroll payments be made by either individual or composite check or electronic transfer of funds? (6 GAO 15.4) (If not, the statement should contain the rationale for not paying by check or electronic transfer of funds and indicate the controls over the payments)	_____	_____	_____
12. Will pay checks, pay envelopes, and United States savings bonds be delivered directly (a) to the persons being paid, (b) to a designated agent, (c) through an official and controlled system, such as electronic transfer of funds, or (d) mailed? (The statement should indicate which means will be used) (6 GAO 9, 15.4 and 15.7)	_____	_____	_____

	<u>Answer</u>	<u>Page Reference</u>	<u>Paragraph Reference</u>
13. Will persons designated to deliver pay checks, pay envelopes, and bonds be prohibited from: (6 GAO 15.7)			
(a) participating in the preparation, approval, or certification of payroll vouchers and personnel action documents?	_____	_____	_____
(b) maintaining payrolls, time and attendance records, and leave records?	_____	_____	_____
14. Will undelivered checks, pay envelopes, and bonds be returned promptly to the disbursing or issuing officer? (6 GAO 15.7)	_____	_____	_____
15. Will all checks, pay envelopes, and bonds be kept in a safe or locked fireproof cabinet? (6 GAO 15.7)	_____	_____	_____
16. Will all transactions recorded in the pay, leave, and allowance records be adequately supported by properly authorized documents? (6 GAO 16)	_____	_____	_____
17. Will officials who sign authorizing documents be precluded from performing other payroll functions? (6 GAO 9)	_____	_____	_____
18. Will all overtime be authorized or approved in writing by a proper authority? (6 GAO 16.2)	_____	_____	_____
19. Will employees be given written notice of changes in pay which are not Government-wide in scope? (6 GAO 16.1)	_____	_____	_____

	<u>Answer</u>	<u>Page Reference</u>	<u>Paragraph Reference</u>
20. Will a record of time in pay or nonpay status (time and attendance report) be maintained daily for each civilian employee? (6 GAO 16.2)	_____	_____	_____
(a) Will the exact time of absence of less than a day be recorded?	_____	_____	_____
(b) Will absence indicated on the record be initialed by the employee or supported by a signed application?	_____	_____	_____
(c) Will sick leave absence in excess of 3 days be supported by a medical certification or other evidence of illness?	_____	_____	_____
21. Will a record of the piecework completed be maintained daily for employees paid on a piecework basis? (6 GAO 16.2)	_____	_____	_____
22. Will the documents discussed in questions 20 and 21 be maintained by an individual who:			
(a) takes no part in preparing the payroll or distributing the pay checks or pay envelopes? (6 GAO 15.7)	_____	_____	_____
(b) has positive knowledge as to the employee's presence or absence? (6 GAO 16.2)	_____	_____	_____
23. Where the technique of processing time and attendance data only for those employees			

	<u>Answer</u>	<u>Page Reference</u>	<u>Paragraph Reference</u>
receiving other than normal pay is used will controls be provided to assure that all exception reports are received and processed? (6 GAO 16.2)	_____	_____	_____
24. Will time and attendance reports be approved by the employee's supervisor? (6 GAO 16.2)	_____	_____	_____
25. Will the employee's supervisor be required to be informed as to the attendance or absence of the employee? (6 GAO 16.2 and 20.7)	_____	_____	_____
26. Will employees be prohibited from certifying or approving their own time and attendance reports? (6 GAO 16.2)	_____	_____	_____
27. Will the establishment, change, or cancellation of non-statutory deductions, allotments or assignments be authorized in writing by the employee (except for employee separation)? (6 GAO 16.3 and 18.0)	_____	_____	_____
28. Will payments of statutory and non-statutory deductions and allotments be reconciled with amounts withheld from individuals as shown by the pay or other records? (6 GAO 16.3 and 18) How often will reconciliations be made? _____	_____	_____	_____
29. Will the system provide for amounts to be deducted from pay as allotments when required or authorized by law and administrative regulations? (6 GAO 18)	_____	_____	_____

	<u>Answer</u>	<u>Page Reference</u>	<u>Paragraph Reference</u>
30. When gross pay is not sufficient to permit all deductions, will deductions be made in the order of precedence stated in 6 GAO 19?	_____	_____	_____
31. Will regulations be issued to govern the collection of indebtedness due to erroneous payments? (6 GAO 17)	_____	_____	_____
32. Will or have the regulations be submitted to the Civil Service Commission for approval? If approved, when? _____ (6 GAO 17)	_____	_____	_____
33. Will a complete and accurate record be maintained for every individual of pay, leave, allowances, deductions, and allotments to which entitled and the payments thereof? (6 GAO 20, 20.1,20.2,20.3,20.4,20.5,20.7, 20.8 and 21)	_____	_____	_____
34. Will the pay, leave, and allowance records be adequate to: (6 GAO 20)			
(a) provide proper control over pay, leave, and allowances?	_____	_____	_____
(b) provide information necessary to:			
(1) properly pay each individual?	_____	_____	_____
(2) meet budgeting and reporting requirements?	_____	_____	_____
(3) establish a permanent record of actions taken?	_____	_____	_____

	<u>Answer</u>	<u>Page Reference</u>	<u>Paragraph Reference</u>
35. Will all corrections to the official pay, leave, and allowances records be approved by an appropriate responsible person and will all corrections become a part of the official record? (6 GAO 20.9)	_____	_____	_____
36. Will subsidiary payroll records be maintained to provide information needed: (6 GAO 20.6)			
(a) to comply with the prescribed requirements of other agencies?	_____	_____	_____
(b) for management purposes?	_____	_____	_____
37. Will the subsidiary records be periodically reconciled to the control accounts? (6 GAO 20.6)			
How often will reconciliations be made?_____	_____	_____	_____
38. Will a leave record be maintained for each civilian employee and member of a military or other uniformed service?(6 GAO 20.7)	_____	_____	_____
39. Will rates of accruals of leave be determined in accordance with regulations and controls maintained to assure that the proper rate is applied? (6 GAO 20.7)	_____	_____	_____
40. Will leave taken be approved and certified as correct by persons having direct supervision of the individuals whose leave they approve and certify? (6 GAO 20.7)	_____	_____	_____
41. Will employees be prohibited from certifying as to the correctness of their own leave taken? (6 GAO 20.7)	_____	_____	_____

	<u>Answer</u>	<u>Page Reference</u>	<u>Paragraph Reference</u>
42. Will each leave record be reviewed at the end of each year, and a reduction made for leave accumulated in excess of applicable statutory limitations? (6 GAO 2.0 and 20.7)	_____	_____	_____
43. Will leave records be reviewed upon termination of employment or enlistment and pay adjustments made for unearned advance leave, accumulated leave, and leave ration credit in the pay records? (6 GAO 20.7)	_____	_____	_____
44. Will the granting and paying of allowances to individuals at foreign posts of duty be in accordance with regulations issued by the Secretary of State? (6 GAO 22.1)	_____	_____	_____
45. Will the value of allowances in kind to employees in nonforeign field services be determined and recorded in accordance with policies set forth by responsible agencies and decisions of the Comptroller General? (6 GAO 22.2)	_____	_____	_____
46. Will the appropriation from which the payroll is paid be charged with gross pay and agency contributions for employee benefits (excluding allowances furnished in kind)? (6 GAO 23)	_____	_____	_____
47. Will adjustments for unpaid and overpaid balances in individual pay accounts be made in accordance with the provisions of Public Law 83-497? (6 GAO 24)	_____	_____	_____

	<u>Answer</u>	<u>Page Reference</u>	<u>Paragraph Reference</u>
48. Will appropriate files be maintained to accumulate the authorizing pay, leave and allowance documents for each individual? (6 GAO 25.0)	_____	_____	_____
49. Will disposal of pay, leave, and allowance records and documents be made in accordance with the agency's approved fiscal records program? (6 GAO 16.2 and 25)	_____	_____	_____
50. Will the system provide procedures for payment of employees during periods of emergency evacuations? (6 GAO 26)	_____	_____	_____
51. Will reports be issued on pay, leave, and allowances which: (6 GAO 27)			
(a) are clear, concise, and timely?	_____	_____	_____
(b) provide information which will assist management to operate more effectively and efficiently?	_____	_____	_____
(c) will meet the requirements of other agencies having defined responsibilities by law or regulation?	_____	_____	_____
52. Will the system conform to the applicable provisions of the Fair Labor Standards Act and the Privacy Act of 1974? (6 GAO 2)	_____	_____	_____

COMMENTS:

1. Explain all negative answers.

PRINCIPLES AND STANDARDS

REVIEWED BY: _____

Date _____

SECTION 9-10FINANCIAL REPORTING

	<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
1. Will reports be produced by the system to provide information:			
a) To aid in future planning? (8.4)	_____	_____	_____
b) To evaluate performance in relation to plans? (8.5)	_____	_____	_____
c) To exercise financial control over resources? (8.4)	_____	_____	_____
d) To promote efficiency and economy in operations? (8.4)	_____	_____	_____
2. Will the following financial reports be prepared:			
a) Statements of assets and liabilities?(17.2(a))	_____	_____	_____
b) Statements showing cost and revenue information by:			
1) Major organizational segments? (17.2(b),8.2)	_____	_____	_____
2) Budget activities? (17.2(b), 8.2)	_____	_____	_____
3) Program structure? (17.2(b),8.2)	_____	_____	_____
4) Detailed projects or activities (if needed)? (17.2(b), 8.2)	_____	_____	_____
c) Statements of sources and application of funds? (17.2(c))	_____	_____	_____
d) Statements of changes in investment of the United States? (17.2)	_____	_____	_____
e) Status of appropriations or similar authorization? (17.2(d))	_____	_____	_____
f) Status of individual funds? (17.2(e))	_____	_____	_____
g) Combined or consolidated statements covering two or more funds where such statements will enhance disclosure? (17.2(f))	_____	_____	_____
h) Statements to demonstrate agency compliance with prescribed limitations? (17.2(f))	_____	_____	_____

	<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
i) Other reports required by OMB, the Department of Treasury, and other agencies? (17.2(f))	_____	_____	_____
3. Will financial reports compare the amount budgeted for planned operations to the amount incurred for actual operations? (8.6,16.2,30.1)	_____	_____	_____
4. Will financial statements:			
a) Be based on official records maintained in the accounting system? (17.3(a)(3))	_____	_____	_____
b) Contain financial data derived from accounts that are maintained in all material respects on a consistent basis from period to period? (17.3(a)(8))	_____	_____	_____
c) Be produced on a timely basis? (17.3(c))	_____	_____	_____
d) Include and clearly display all essential financial facts and the period covered by the report? (17.3(a)(1))	_____	_____	_____
e) Be accurate, reliable, and truthful? (17.3(a)(2))	_____	_____	_____
f) Identify any significant excluded costs? (17.3(a)(4))	_____	_____	_____
g) Avoid unnecessary detail?(17.3(a)(6))	_____	_____	_____
h) Use consistent and non-technical terminology? (17.3(a)(9))	_____	_____	_____
i) Present data that is useful and needed by the users of the report? (17.3(d))	_____	_____	_____

COMMENTS:

1. Explain all negative answers.

PRINCIPLES AND STANDARDS
 REVIEWED BY: _____

Date _____

SECTION 10 11

OTHER INTERNAL CONTROLS

	<u>Answer</u>	<u>Page reference</u>	<u>Paragraph reference</u>
1. Will all accounting policies, principles and standards be systematically communicated throughout the organization? (7(1))	_____	_____	_____
2. Will assigned duties and functions be appropriately segregated as between authorization, performance, keeping of records, custody of resources, and review? (7(3))	_____	_____	_____
3. Will the accounting system be subject to an effective internal audit program? (7(8))	_____	_____	_____
4. Will all transactions be recorded in such a manner that they can be readily traced from the originating documents to summary records and to the financial reports? (8.7)	_____	_____	_____
5. Will such originating documents be adequately supported and available for audit? (8.7)	_____	_____	_____
6. Will all funds, property and other resources be under appropriate physical safeguards? (7(12))	_____	_____	_____

COMMENTS:

1. Explain all negative answers.

PRINCIPLES AND STANDARDS
REVIEWED BY: _____

Date _____