

ACCOUNTING PRINCIPLES AND STANDARDS HANDBOOK

CHAPTER 2. BACKGROUND

Section 1.0 Historical Background

The statutory mission of the Department of Commerce (DOC) is "to foster, promote, and develop foreign and domestic commerce, the mining, manufacturing, and fishing industries of the United States" ([15 U.S.C. Sec. 1512](#)). Since its establishment in 1903, DOC has been comprised of a variety of organizations. For DOC's organization chart, go to www.commerce.gov. The variety of organizations presents the Department with a special requirement for a broad range of accounting and related financial management techniques to properly administer the diverse programs for which the Department is responsible.

Section 2.0 Program Summary

The major organizations of the Department are as follows:

- .01 [The Office of the Secretary](#) (O/S) provides policy direction and general supervision of the Department. Activities include executive direction and staff assistance in budget, finance, emergency preparedness, and information; legal, management and organization, motor vehicle, personnel, procurement, program planning, property, publications, records, safety, security, and space management. The Office of the Inspector General provides independent audit and investigative assistance.
- .02 [The National Oceanic and Atmospheric Administration](#) (NOAA) activities include weather, marine, river and flood forecasts and warnings; earth and marine description, mapping and charting; telecommunications and space disturbance forecasting; and related research. Weather facilities are operated in the United States, at overseas stations and from ships at sea and satellites. Oceanographic and hydrographic survey vessels, aircraft, and a system of magnetic observatories, seismograph stations, tide stations, and related facilities are operated to survey and chart the coastal waters of the United States, produce nautical and aeronautical charts, and process and publish oceanographic and geophysical data. Fisheries management and related research, including ecological studies, are other important activities of this organization.

- .03 [The International Trade Administration](#) (ITA) promotes world trade and works to strengthen the international trade and investment position of the United States. ITA achieves this by staging overseas trade promotions; providing Government, business, and the public timely information on commodity, industry, and marketing developments, both international and domestic; and overseeing Federal participation in U.S. Expositions. ITA's U.S. and Foreign Commercial Service play an important role in fostering U.S. trade overseas.
- .04 [The Bureau of Industry and Security](#) (BIS) advances U.S. national security, foreign policy, and economic interests. BIS's activities include regulating the export of sensitive goods and technologies in an effective and efficient manner; enforcing export control, antiboycott, and public safety laws; cooperating with and assisting other countries on export control and strategic trade issues; assisting U.S. industry to comply with international arms control agreements; and monitoring the viability of the U.S. defense industrial base and seeking to ensure that it is capable of satisfying U.S. national and homeland security needs.
- .05 [The Office of the Under Secretary for Economic Affairs](#) (OUSEA) provides data and analysis on economic and demographic subjects fundamental to the advancement of the Nation's economy and to the resolution of its social and economic problems. The major components of Economic Affairs are the Bureau of the Census and the Bureau of Economic Analysis.
- a. [The Bureau of the Census](#) (Census Bureau) conducts periodic censuses on population, housing, agriculture, governments, manufacturing, construction, transportation, mineral industries, and the distribution and service trades. Census Bureau publishes this information as well as estimates and projections of trends based on its surveys.
- b. [The Bureau of Economic Analysis](#) (BEA) compiles month, quarterly, and annual data of manufacturing and trade output, construction and housing, consumer income, foreign trade, population characteristics, and state and local government employment and financing. National economic accounts are developed and maintained on national income and product, input-output data by industry, balance-of-payments, and regional economic accounts.

- .06 [The National Institute of Standards and Technology](#) (NIST) assures maximum application of the physical and engineering sciences to the advancement of technology in industry and commerce through programs to develop, maintain, and make available for use basic measurements and standards, material measurements and standards, and technological measurements and standards. Calibration and tests are performed, and standard reference materials are developed for Government and industry.
- a. [The National Technical Information Service](#) (NTIS) acts as a self-supporting clearinghouse for scientific, technical, and engineering information. This clearinghouse provides American firms with access to U.S. and foreign government-sponsored research and development and applied engineering studies.
- .07 [The U.S. Patent and Trademark Office](#) (USPTO) administers the U.S. patent and trademark laws to promote industrial and technological progress in the United States and strengthen the national economy. This mission is accomplished by: examining patent and trademark applications, issuing patents, and registering trademarks; disseminating patent and trademark information to the public; and encouraging a domestic and international climate in which intellectual property can flourish. The USPTO is responsible for collecting; assembling, cataloging, publishing, and distributing technical information disclosed in patent grants and, by so doing, have created the world's largest scientific and technical information center.
- .08 [The Minority Business Development Agency](#) (MBDA) assists minority businesses by providing management and technical assistance to minority firms. MBDA also coordinates opportunities for minority firms in the private sector and promotes the participation of business and Federal, State, and local governments in directing resources to develop strong minority businesses. The MBDA does not make loans, but MBDA centers and staff can make referrals or provide information on the various funding sources. This information can be accessed through the Capital Resource Locator, which contains contact information on micro lenders, intermediaries, financial institutions and other funding sources. Each financial institution or funding source has its own credit criteria and guidelines to underwrite (make) the loan. MBDA's role is to make referrals. The Agency is not responsible for approval of the loans.
- .09 [The Economic Development Administration](#) (EDA) promotes the creation and protection of jobs and income in areas of substantial and persistent unemployment. This is accomplished by providing grants and loan guarantees for planning assistance, technical assistance, research and coordination, and providing grants and loan guarantees for development facilities and industrial development. EDA also leads the federal

economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy.

- .10 [The National Telecommunications and Information Administration](#) (NTIA) defines policies which support the development and growth of telecommunications, information, and related industries; furthers the efficient development and use of telecommunications and information services; provides policy and management for Federal use of the electromagnetic spectrum; and furnishes telecommunications facilities grants to public service users.
- .11 [Emergency Steel Loan Guarantee Programs](#) (ELGP) were established by the Emergency Steel Loan Guarantee and Emergency Oil and Gas Guarantee Loan Act of 1999 (P.L. 106-51) to provide emergency authority for guarantees of loans to qualified steel and iron ore companies by private banking and investment institutions, and for other purposes. The program is directed by a board composed of the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System (chairman), and the Chairman of the Securities and Exchange Commission. The Board's authority to make commitments to guarantee loans terminated on December 31, 2001.

Section 3.0 Financial Management Concepts

The Budget and Accounting Procedures Act of 1950, as amended, requires the head of each executive agency to establish and maintain systems of accounting and internal control designed to provide the following:

- a. Full disclosure of financial results of the agency's activities;
- b. Adequate financial information for the agency's management purposes; and
- c. Control and accountability of assets--effective control over, and accountability for, all funds and assets.

The Department's varied programs and supporting activities give rise to a number of financial management requirements. The Department's financial systems and operations must therefore be implemented so as to cost-effectively satisfy these varied requirements. Among these are the following:

.01 Accommodation and Support of Sources and Methods of Financing

While much of the Department's funding is obtained from annual appropriations, bureaus also obtain funds from multi-year and no-year appropriations, revenues from sales of documents and services to the public, and work for other Government agencies. The bureaus also administer a variety of trust funds, such as for managing combined Federal-State programs and gifts and bequests to the Department.

Methods of financing include the use of contract authorizations, management funds, intra-governmental and public enterprise revolving funds, consolidated working capital funds, and franchise funds for the distribution of overhead and joint service costs between Department appropriations as well as for the performance of work for other Government agencies.

.02 Standardization of Accounting Classification Coding Structure(s) and Other Needed Common Classifications

Common classifications will also permit the evaluation of performance against plans at all levels of management, permit roll up of codes to higher levels (i.e., activity, sub-activity, line item, and/or major object class), and enhance internal controls.

.03 Design and Implementation of Needed Financial Controls

Financial control is achieved primarily through planning of expected performance, execution under the plan, as well as accounting, reporting, and review.

- a. Planning, programming, and budgeting are coordinated techniques consisting of correlated long-range planning, planning of annual budgets, and the planning and programming of internal operations and procurement for the current fiscal year.
- b. Accounting furnishes the essential financial information to ensure that management can make informed decisions on its daily operations and provides financial control over the organization's assets. Accounting also consists of recording, classifying and summarizing transactions of a financial nature and interpreting the results. Accounting systems provide information at appropriate levels on disbursements, outlays, accrued expenditures, obligations, and commitments.

- c. Financial reports are prepared and consolidated directly from the accounting records at a level of detail consistent with the levels of management to which the reports are addressed and fulfill the reporting requirement established under the Chief Financial Officers Act of 1990.
- d. Reviews and evaluations are carried out continuously at all levels of operation and management using programmed and exception techniques.

.04 Specifications and Establishment of Control Levels

Control levels are established to prevent violations of laws and to promote the economical and efficient use of resources.

- a. Fund control is the chief method of control, and is based on relating elements of operating budgets to related elements of commitments and obligations incurred.
- b. Supplemental devices of control include the following:
 - 1. Personnel ceilings and staffing patterns are incorporated into budgeting and reporting processes which, when summarized, provide information for the budget justifications.
 - 2. Commitments are used for the administrative control of funds for those classes of expenditures where funds must be reserved to assure their availability for future obligations.
 - 3. Pre-validation is used where planning cannot assure administrative control, or where a comparison of budgets against obligations indicates a critical situation.
 - 4. Procurement of property is coordinated with property management to assure that acquired property is properly recorded and that excess property is used whenever possible. Periodic physical counts performed in conjunction with other property maintenance systems, such as the bar code system, are current procedures being used to monitor addition and deletion of assets.

Section 4.0 Core Financial System

DOC implemented Commerce Business Systems (CBS), a core financial system from the late 1990's through the mid-2000's. DOC is currently planning to consolidate CBS within one server for all bureaus using CBS.

Section 5.0 Existing Accounting Systems

Currently, the Department operates several separate accounting systems, which were acquired off-the-shelf, developed in-house, or provided through cross-servicing.

National Institute of Standards and Technology Financial Services Group additionally provides accounting services for the following bureaus/reporting entities:

Economic and Statistics Administration (excluding Census Bureau)/Bureau of Economic Analysis

Emergency Steel Loan Guarantee Program

Herbert C. Hoover Building Modernization

International Trade Administration

Minority Business Development Agency

National Telecommunications and Information Administration

Office of Inspector General

Office of the Secretary

National Oceanic and Atmospheric Administration provides accounting services for the following bureaus:

Bureau of Industry and Security

Economic Development Administration

Section 6.0 Financial Transactions

The bureau's accounting systems are considered the official financial records for that bureau. The bureau systems are generally the original entry system.

The Department has its payroll cross-serviced by the National Finance Center. The Coast Guard cross-services the payroll function for the NOAA Corps. This was done so that the Department could take advantage of the Coast Guard's experience with military pay regulations and procedures. Most foreign payments are made by the State Department and interfaced into the bureau accounting systems.

Section 7.0 Bureau Evaluations of Material or Significant Possible or Actual Unusual Accounting Transactions

Bureaus are required to evaluate material or significant possible or actual unusual accounting transactions (e.g. a possible or actual accrued receivable/revenue or accrued payable/expense or asset, a possible, anticipated, or actual transfer, a possible, anticipated, or actual budgetary resource or reduction of budgetary resources, a possible or actual contingency), regardless of whether the item has been apportioned or not apportioned on the SF 132, *Apportionment and Reapportionment Schedule*, and research if a) a proprietary accounting transaction(s) should be recorded; b) a budgetary accounting transaction should be recorded; and c) if yes to either a) or b), the appropriate accounting transactions that should be recorded and when (month/year) the accounting transactions should be recorded.

For these material or significant possible or actual unusual accounting transactions, the bureau's evaluation is required to include consultation with a) the bureau's CFO or equivalent, of both the underlying bureau and that bureau's accounting service provider, if applicable, or his or her designee(s); and b) the Department's Office of Financial Management. As appropriate, consultations should also include c) other bureau or Departmental offices; d) the U.S. Department of the Treasury, the Office of Management and Budget, and/or the Federal Accounting Standards Advisory Board; e) any other federal agencies; and f) any other relevant or applicable sources.