

DRAFT RECLAMATION MANUAL RELEASE

Comments on this draft release must be submitted to Linda Griswold lgriswold@usbr.gov by August 19, 2024.

Background and Purpose of the Following Draft Directive and Standard (D&S) Advances from Others and Deferred Revenue FIN 07-35

The goal of preparing this new D&S document and providing stakeholders with the opportunity to comment on it in draft form is to enhance common understanding of the responsibilities and procedures for recording, accruing, and drawing down of advances from others and deferred revenue.

The revisions to the D&S were staffed through the Financial Policy Review Team, which consists of representatives from each regional finance office, the Accounting Services Division, and the Finance Policy & Program Division, to arrive at this consolidated document.

The Reclamation Manual is used to clarify program responsibility and authority and to document Reclamation-wide methods of doing business. All requirements in the Reclamation Manual are mandatory.

See the following pages for the draft D&S.

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Subject:	Advances from Others and Deferred Revenue
Purpose:	To establish the Bureau of Reclamation's requirements and procedures for the recording, accruing, and drawing down of advances from others and deferred revenue. The benefit of this Directives and Standards (D&S) is Reclamation-wide standardization of advances from others and deferred revenue in accordance with generally accepted accounting principles.
Authority:	Reclamation Act of June 17, 1902 (32 Stat. 388), as amended; Reclamation Extension Act of August 13, 1914 (43 USC 492 , 43 USC 493); Reclamation Project Act of 1939 (USC 43 485e); Sundry Civil Appropriations Act of 1922 also known as Contributed Funds Act (43 USC 395); Interior Department Appropriations Act for 1928 (43 USC 397a); Second Deficiency Appropriations Act for 1924 also known as the Fact Finders Act (43 USC 396); Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting (SFFAS) 1 , <i>Accounting for Selected Assets and Liabilities</i> ; FASAB SFFAS 7 , <i>Accounting for Revenue and Other Finance Sources and Concepts for Reconciling Budgetary and Financial Accounting</i> ; FASAB SFFAS 54 , <i>Leases</i> ; Department of the Treasury (Treasury), U.S. Standard General Ledger ; Treasury, <i>Treasury Financial Manual</i> , Vol. 1 Part 2 Chapter 4700 Appendix 8 , <i>Intra-governmental Transactions (IGT) Buy/Sell</i> ; Treasury, G-Invoicing Guide for Basic Accounting and Reporting ; Office of Management and Budget (OMB) Circular A-11 , <i>Preparation, Submission, and Execution of the Budget</i> ; Government Accountability Office, Principles of Federal Appropriations Law ; Department of the Interior, <i>Accounting Handbook</i>
Approving Official:	Director, Mission Support Organization
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1. **Introduction.** Reclamation has several authorities that require it to receive an advance prior to providing goods or performing services. The Reclamation Extension Act of 1914 and the Reclamation Act of 1939 are examples of legislation requiring reimbursable operation and maintenance (O&M) be paid in advance. Project specific or additional legislation may address advance requirements. For example, in certain circumstances, Title IX, Subtitle G of the Omnibus Public Land Management Act of 2009 (Pub. L. 111-11) allows Reclamation to fund extraordinary maintenance and execute contracts for extended repayment instead of receiving the funds in advance (see Reclamation Manual (RM) D&S, *Extended Repayment of Extraordinary Maintenance Costs*, ([PEC 05-03](#))). OMB Circular A-11 requires an advance for reimbursable agreements with non-Federal entities

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and in some instances requires advance from Federal entities. For international activities, see RM D&S, *Reclamation's International Affairs Program* ([NIA 01-01](#)).

2. **Applicability.** This D&S applies to Reclamation employees who participate in billing, collecting, recording, monitoring, accruing, and drawing down advances from other entities and deferred revenue. This D&S does not apply to:
 - A. Prepayment/early payoff of repayments. See RM D&S, *Un-matured Receivables for Construction Repayment Contracts* ([FIN 06-30](#)).
 - B. Prepayment of loans.
 - C. Deferred revenue due to a forfeiture judgment or unclaimed money.
3. **Agreements.**
 - A. **Non-Federal Entity.** The agreement with the non-Federal entity specifies when Reclamation receives the funds in advance of performance. The regional finance office provides Reclamation's authority and obtains permission from PC&A prior to creating a reimbursable agreement with a non-Federal entity without an advance (fund type RM0). The agreements are retained as follows:
 - (1) **Sales Distribution (SD) Module.** The regional finance office enters a sales order into the SD module and routes the request for approval to someone other than the requestor. The regional finance office uploads the agreement into the SD module of the Financial and Business Management System (FBMS).
 - (2) **Accounts Receivable (AR) Module.** The regional office enters the request into the AR module and retains the agreement at the region.
 - (3) **Reclamation Water Operational and Record Keeping System (BOR-WORKS).** The California Great Basin Region (CGB) enters the information into BOR-WORKS and retains the agreements at the region.
 - B. **Intragovernmental.** The agreement with the Federal partner specifies when Reclamation receives the funds in advance of performance.
 - (1) **G-Invoicing.** Beginning in fiscal year (FY) 2024, the Department requires Reclamation to use Treasury's 7600B form for buy/sell orders with another Federal entity. Upon the Department's implementation of G-invoicing (tentatively FY 2025), Reclamation negotiates the payment terms prior to the buyer submitting the order. Reclamation enters into the agreement (approves the 7600B as the seller) directly in FBMS.
 - (2) **Other Than G-Invoicing.** The region follows the non-Federal entity procedures in Paragraph 3.A.

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4. **Bills and Collections.** The bill for collections involving advances, sometimes known as down payments, and deferred revenue contains information regarding which general ledgers (GL) to record collections based on the method of creation. Upon receipt, Reclamation records the funds in GL 1010.ADV00, *Customer Collections Advance – Reclamation* except BOR-WORKS records the funds to GL 1010.TCC00, *Standard Form 215/Direct Deposit 5515 – Collections of Revenues*.
- A. **SD Module.** The regional finance office creates a billing document in the SD module to generate the down payment request. The regions review and approve the bills outside of FBMS prior to mailing. The down payment request references the funded program that posts to the specific line of the sales order and references the sales order number. The sales order contains the GL for recording collections. In general, the SD module records advances in GL 2310.A0000, *Advances from Others Reimbursable*.
- B. **AR Module.** The regional finance office calculates the bill for collection and a regional accountant approves the bill prior to entry into FBMS. The regional finance office manually enters the GL(s) associated with the collection and FBMS prints the GL(s) on the bill. In general, the AR module records advances in GL 2310.D0000, *Advances from Others* and deferred revenue in GL 2320.ARC00 *Deferred Credits Customers*.
- C. **BOR-WORKS.** The CGB office uses BOR-WORKS to calculate bills and process collections for water deliveries and associated Central Vally Project Improvements Act (CVPIA) charges. CGB enters water deliveries into BOR-WORKS. At the end of the month BOR-WORKS generates the Water Delivery and Revenue Report (WDR) and the information interfaces with FBMS via the E-621 file. FBMS draws down the deferred revenue. When creating a bill, the regional finance office reviews the bill and compares it to the WDR prior to issuing it to the customer. CGB processes collections in BOR-WORKS and runs the E-621 to interface into FBMS at least weekly. In addition, the region also processes adjustments (e.g., transfers, customer specified payments) using a manual file to interface into FBMS. Generally, CGB records receipts for water delivers in GL 2320.ARC00.
- D. **Intragovernmental.**
- (1) In G-invoicing, the regional finance office enters a down payment request into FBMS, which interfaces with G-invoicing, to receive the advanced funding.
 - (2) For collections not processed through G-invoicing, the Accounting Services Division, Accounting and Fiscal Services Team (AFS) verifies the advance requirements and processes the intragovernmental payment and collection in accordance with the 7600B or agreement. These transactions may go through the SD or AR module or BOR-WORKS similar to processing for non-Federal entities.

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5. **Actual and Accrual of Drawdown.** SFFAS 7 requires the recognition of revenue (and drawdown of the advance or deferred revenue) as Reclamation delivers goods and performs services. Large-scale, long-term projects recognize revenue when costs are incurred. When Reclamation continuously provides services, such as rental of space in a building, it recognizes revenue in proportion to the passage of time. As per the Department's Accounting Handbook, Reclamation records actuals or accruals at least quarterly.
- A. **Non-Fixed Priced Agreements in the SD Module.** Non-fixed priced agreements in the SD module do not require an accrual because AFS runs a program to drawdown actuals monthly. Reclamation does not have the authority to incur expenses in excess of the advance for non-fixed price agreements with a fund type of RM1 or RM2. For RM0 fund types with Federal or non-Federal entities, FBMS records the revenue for the expenses that exceed the advance but only up to the value of the sales order line.
- B. **Fixed Price Agreements in the SD Module.** The regional finance office calculates the drawdown of the advance based on the agreement. For the actual drawdown, they add a line to the billing plan and create the billing document to drawdown the advance. When expenses determine the amount of the drawdown, the regional finance office enters the actual drawdown monthly. If the drawdown is amortized, the regional finance office records an accrual or actual drawdown at least quarterly. AFS runs a program in FBMS after month end to record the actual entries submitted in the SD module. The FPPD; Reporting, Accounting & Production Support Team (RAPS) processes the approved auto-reversing journal vouchers (JV) for the accruals. The regions submit amortized accrual JVs to RAPS three days prior to month/quarter end.
- C. **AR Module.** The regional finance office calculates the drawdown of advances and deferred revenue for agreements in the AR module. They request an actual or accrued drawdown at least quarterly. The regional finance offices, except CGB, send requests for the actual drawdown to AFS five business days prior to month/quarter end for processing. CGB processes actual drawdowns for their region. RAPS receives the approved auto-reversing JVs for accrued drawdowns three days prior to month/quarter end.
- D. **BOR-WORKS.** CGB uses BOR-WORKS to calculate the delivery charges monthly, so an accrual is not required. They use the E-621 file to drawdown deferred revenue in FBMS before month-end.
- E. **G-Invoicing.** G-invoicing will not allow settlement if a modification is pending. Prior to month end, AFS and the regions must work closely with Reclamation's trading partner to ensure any modification is either fully approved or, if the modification was rejected, the buyer pushes through a new modification to change the order back to the previous state. Reclamation must also complete its part of the approval prior to month end.

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- (1) If the advance is for non-fixed price agreement in SD, the 7600B must indicate a monthly frequency because FBMS automatically draws down the advance at month end.
- (2) For fixed price agreements in SD and agreements in the AR module, Reclamation and our trading partner indicate the frequency in the agreement or 7600B. The regional finance office works with the trading partner to record accruals if the actual drawdowns are less frequently than quarterly. The regional finance office requests the actual and accrued drawdowns similar to the non-Federal entity agreements listed in Paragraphs 5.B. and Paragraph 5.C.

6. Monitoring Available Balances.

A. Other Than G-Invoicing.

- (1) **Negative Available Balance.** ASF sends the Reimbursable Report to the regional finance offices no later than the 5th business day of the month. They highlight sales orders with a negative available balance (expenses exceed the advance). The regional finance office either resolves the negative available balance or provides an explanation to ASF by the due date on ASF's request. In September, ASF sends the report weekly after the cost allocation run. The regional finance office resolves the negative available balance or provides an explanation to ASF prior to the next cost allocation run. The regional finance offices must clear all negative available balances prior to the start of SD close. See the year end calendar¹ for the dates of the cost allocation run and start of SD close.
- (2) **Nominal Advance Balance.** In accordance with regional business practices, at least monthly, the regional finance office reviews nominal advance balances on the Reimbursable Report or the Residual Balance Authority (RESBA) Report. They work with the appropriate budget and program staff to determine actions needed to prevent a negative balance. Actions include billing for additional advances, closing the work breakdown structure (WBS) to prevent additional expenses, receiving agreement modifications, or notating the agreement is approaching close out with sufficient advanced funding. The regional finance officer, or their designee, reviews the responses for reasonableness.

- B. **G-invoicing.** FBMS will record revenue for expenses that exceed the advance but only up to the sales order line value. If the expenses are valid, the regional finance office enters the request for additional advance funding to resolve the negative available balance. G-invoicing does not accept the performance transaction (advance drawdown

¹ Reclamation Intranet > Additional Resources/Quick List > Finance & Accounting > Finance Policy & Programs Division > Reporting, Accounting & Production Support Branch > Year End Closing Procedures

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and acceptance of performance) unless funds are available. A future FBMS enhancement for G-invoicing will allow Reclamation to submit a performance transaction to communicate work completed but not billed. Upon implementation, this transaction will record revenue and a receivable, but the regional finance office initiates the request for additional funding.

7. **Monitoring Inactivity.** Reclamation ensures the completeness of advance drawdowns by reviewing WBSs in GL 2310.xxxxx without activity in the previous quarter. The regional finance office works with the appropriate budget and program staff to determine whether Reclamation should accrue a drawdown of the advance. They note actions taken to clear the advance or why the advance should currently remain inactive. An advance from others may be inactive for reasons such as the work is temporarily halted or Reclamation is reconciling costs prior to issuing a refund. The regional finance office performs the quarterly review in accordance with regional business practices. The regional finance officer, or their designee, reviews the responses for reasonableness.
8. **Refunds.** Depending on the terms of the agreement and partner preference, Reclamation may apply excess O&M advances collected to the next year's O&M instead of providing a refund. For intragovernmental and reimbursable agreements with advance, Reclamation returns the amount of advanced funding that exceeds the actual cost to the ordering entity when the agreement is complete, final costs are recorded, and, if applicable, a final reconciliation is complete.
9. **Leases.**
 - A. **Short-Term and Intragovernmental Leases.** Record advances for a short-term or intragovernmental lease as deferred credits/revenue, GL 2320.xxxxx.
 - B. **Other Than Short-Term Leases, Intragovernmental Leases, and Leases That Transfer Ownership.** If Reclamation receives payments prior to the commencement of the lease (e.g., during construction of the underlying asset), it records the payment as a deferred credit/revenue, GL 2320.xxxxx. Upon commencement of the lease, Reclamation reclassifies the deferred credit/revenue to GL 2330.xxxxx, *Unearned Lessor Revenue*.
10. **Definitions.**
 - A. **Advances from Others.** The amount of payments received in advance of performance of activities for which revenue has not been earned. In general, Reclamation uses GL (2310.xxxxx) to record advances for O&M and reimbursable work.
 - B. **Bureau of Reclamation Water Operations & Records Keeping System or BOR-WORKS.** A system CGB uses to record, accumulate, and report water deliveries and associated CVPIA charges and payment balances for CVP's water service contractors.

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- C. **Deferred Revenue (Also Known as Deferred Credits).** The amount of revenue or income received but not yet earned not otherwise classified as advances or prepayments. In general, Reclamation uses GL (2320.xxxxx) to record prepayments of repayments. Other examples are: CGB uses this GL to record advances for O&M received via the BOR-WORKS system; and the Columbia-Pacific Northwest Region uses this GL to record power revenues collected in advance on behalf of the Bonneville Power Administration.
 - D. **Drawdown.** Recording the decrease in an account's balance.
 - E. **Expense.** Outflow or other using up of assets or incurrences of liabilities (or a combination of both) during a period of providing goods, rendering services, or carrying out other activities related to Reclamation's programs and missions, the benefits from which do not extend beyond the present operating period.
 - F. **Intragovernmental Lease.** A contract or agreement occurring between Federal Government entities whereby one entity (lessor) conveys the right to control the use of property, plant, and equipment (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration.
 - G. **Refund.** The return of excess payments to or by Reclamation.
 - H. **Short-Term Lease.** A non-intragovernmental lease with a lease term of 24 months or less.
11. **Review Period.** The originating office will review this release every 4 years.