Accruals

BRIEF

Policy Summary
This policy describes the requirements for accounting for liabilities at Berkeley Lab to ensure adherence to DOE liability accounting requirements.

Who Should Read This Policy
This policy applies to all employees who establish, monitor, or report on liabilities at Berkeley Lab.

To Read the Full Policy, Go To:
The POLICY tab on this wiki page

Contact Information
Disbursement Services Manager

POLICY

A. Purpose
This policy describes the requirements for accounting for liabilities at Berkeley Lab to ensure adherence to DOE liability accounting requirements.

B. Persons Affected
This policy applies to all employees who establish, monitor, or report on liabilities at Berkeley Lab.

C. Exceptions
Not applicable

D. Policy Statement
Berkeley Lab accounts for liabilities in compliance with DOE Management Handbook, Chapter 11.

An accrual is an accounting transaction to record costs in Berkeley Lab's financial management system for labor, procurements, and travel where the benefit is received (goods received, services performed) during the current fiscal period, prior to payment being made or the certification of an invoice. Accruals ensure that costs are recorded in the period in which the costs are incurred.

From a funds control perspective, Berkeley Lab has a comprehensive system that provides division personnel with information on project funds,
costs, encumbrances, and pre-encumbrances. Division focus on both uncosted and unencumbered balances decreases the need for certain monthly accruals as unaccrued costs related to goods received or services performed are included in encumbrance balances.

The following table lists the primary categories of accruals and the related frequency:

<table>
<thead>
<tr>
<th>Accrual Category</th>
<th>Description</th>
<th>Frequency</th>
<th>Performed by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Division Accrual</td>
<td>Procurement- or travel-related accruals not captured in the unposted Accounts Payable (A/P) accrual, receipt accrual, or travel accrual, subject to materiality considerations</td>
<td>Year-end, although monthly accruals can be made when certain conditions are met (see below)</td>
<td>Initiated by Resource Analyst and processed by Controller's Office staff</td>
</tr>
<tr>
<td>Payroll Accrual</td>
<td>Costs related to bi-weekly and monthly payroll</td>
<td>Month-end</td>
<td>System generated</td>
</tr>
<tr>
<td>Receipt Accrual</td>
<td>Goods procured through Berkeley Lab's procurement channels when the good has been received during the fiscal period, through the Laboratory's Receiving Department</td>
<td>Month-end</td>
<td>Controller's Office staff</td>
</tr>
<tr>
<td>Service Accrual</td>
<td>Services procured through Berkeley Lab's procurement channels when the service has been performed during the fiscal period, subject to materiality considerations</td>
<td>Month-end</td>
<td>Initiated by Resource Analyst and processed by Controller's Office staff</td>
</tr>
<tr>
<td>Travel Accrual</td>
<td>Outstanding airfare for reservations placed through the corporate travel agent and related lodging and meals (per diem) for travel during the fiscal period</td>
<td>Year-end</td>
<td>Controller's Office staff</td>
</tr>
<tr>
<td>Unposted Voucher Accrual</td>
<td>Goods and services procured through Berkeley Lab's procurement channels when the invoice for the good/service has been received and scanned into Berkeley Lab's Accounts Payable system during the fiscal period but has not been paid (i.e., not certified)</td>
<td>Month-end</td>
<td>Controller's Office staff</td>
</tr>
</tbody>
</table>

Note: Terms of “year-end” and “month-end” refer to the fiscal-period end, not the calendar-month end.

Service and division accruals are subject to materiality considerations. A transaction is considered material if there is substantial likelihood that omission of the accrual would affect or influence financial management decisions (e.g., to encumber additional funds).

Division accruals are predominantly a year-end activity except in the following instances:

<table>
<thead>
<tr>
<th>Project Requirements</th>
<th>Cost Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>The costs relate to a Strategic Partnership Projects (SPP) project for which</td>
<td>The cost was incurred less than 30 days prior to the end of the period of performance or time limitation specified in the SPP agreement;</td>
</tr>
<tr>
<td>a) The period of performance is expiring;</td>
<td>and</td>
</tr>
<tr>
<td>or</td>
<td>Costs are submitted for accrual in the month the award is expiring or the time limitation occurs.</td>
</tr>
<tr>
<td>b) The award includes limitations on costs by fiscal year and cost element (e.g., limitation on travel costs to those only incurred before a specific date).</td>
<td></td>
</tr>
</tbody>
</table>

All accrual transactions must have appropriate supporting documentation.

For division and service accruals, documentation will include:

- A detail of the amount accrued
- An explanation of how the amount was determined
- Identification of who provided information for the accrual
- Supplier documentation, if available
- Proper approval by an individual with designated financial approver authority (resource adjustment/accrual approval authority)

Division and service accrual supporting documentation will be stored in a central repository (e.g., a shared drive, such as Google Drive) based on...
E. Roles and Responsibilities

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Division: Individual Requesting Accrual</td>
<td>• Once the need for an accrual is identified, makes a timely request to the Resource Analyst to initiate an accrual transaction</td>
</tr>
</tbody>
</table>
| Field Operations: Accrual Preparer/Resource analyst       | • Is knowledgeable about accrual requirements and policy and is proficient in using Berkeley Lab tools to process accrual transactions  
• Through the cost review and analysis process, identifies needed, material accruals  
• Ensures that accruals meet Accrual policy guidelines for preparation and documentation                                                                                                                                                                                                 |
| Division/Field Operations: Accrual Approver              | • Ensures that the accrual meets policy criteria prior to approval  
• Approves transactions in a timely manner                                                                                                                                                                                                                                           |
| Controller’s Office/Disbursements Accounting             | • Ensures Berkeley Lab’s financial policies are up to date and comply with DOE Financial Management Handbook requirements and generally accepted accounting principles, making modifications as appropriate  
• Primarily responsible for financial statement reporting, with inputs from divisions as needed  
• Processes accruals as identified in the table shown in Section D.1 above                                                                                                                                                                                                 |

F. Definitions/Acronyms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encumbrance</td>
<td>An amount (full cost) for which there is a legal obligation to spend in the future</td>
</tr>
<tr>
<td>Liability</td>
<td>A present obligation arising from past events that will result in future transfer of assets (cash)</td>
</tr>
<tr>
<td>Project/Activity</td>
<td>An identification number used to accumulate, manage, and report costs associated with individually funded activities at Berkeley Lab</td>
</tr>
</tbody>
</table>

G. Recordkeeping Requirements

Documentation supporting accruals must be retained as described in this policy. Documentation is subject to audit and must be retained per Berkeley Lab archiving policies, the National Archives and Records Administration, and Contract 31.

H. Implementing Documents

None

I. Contact Information

Disbursement Services Manager

J. Revision History

<table>
<thead>
<tr>
<th>Date</th>
<th>Revision</th>
<th>By whom</th>
<th>Revision Description</th>
<th>Section(s) affected</th>
<th>Change Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/2/2012</td>
<td>1</td>
<td>M. Mock</td>
<td>Re-format for wiki</td>
<td>All</td>
<td>Minor</td>
</tr>
<tr>
<td>2/10/2015</td>
<td>1.1</td>
<td>J. Wick</td>
<td>Minor clarifications of policy</td>
<td>All</td>
<td>Minor</td>
</tr>
<tr>
<td>5/8/2015</td>
<td>1.2</td>
<td>J. Wick</td>
<td>Minor clarification; remove quarterly travel accrual for consistency</td>
<td>D.2.2</td>
<td>Minor</td>
</tr>
<tr>
<td>9/22/16</td>
<td>1.3</td>
<td>M. Beedle</td>
<td>Minor clarifications of policy</td>
<td>All</td>
<td>Minor</td>
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</table>

Document Information

DOCUMENT INFORMATION
Title: Accruals

Document number: 11.01.004.000
Revision number: 1.3
Publication date: 9/22/2016
Effective date: 12/31/2011
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Policy Area: Accounting
RPM Section (home): Financial Management
RPM Section (cross-reference): 11.14
Functional Division: OCFO
Prior reference information (optional): RPM Chapter 11, Section 11.14

Source Requirements Documents

DOE Accounting Handbook, Chapter 11, Liabilities

Implementing Documents

None