



# United States Department of the Interior

OFFICE OF THE SECRETARY  
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Financial Management Memorandum 2011 – 008 (Vol. 11.A)

To: Bureau Assistant Directors for Administration  
Bureau Chief Financial Officers

From: Eric Eisenstein *Eric Eisenstein*  
Acting Director, Office of Financial Management

Subject: Guidance for the Preparation of FY 2011 Heritage Asset and Stewardship Land Reporting included in the Basic, Required Supplementary Information, and Required Supplementary Stewardship Information portions of the Agency Financial Report.

This memorandum serves as the guidance for the preparation of the Heritage Asset and Stewardship Land (HASL) information to be included in the Principal Financial Statements (Basic), Required Supplementary Information (RSI), and Required Supplementary Stewardship Information (RSSI) sections of the FY 2011 Agency Financial Report (AFR).

Every bureau must provide Basic, RSI, and RSSI information for the consolidated AFR in accordance with the timeframes established by the Financial Statement Guidance Team (FSGT).

In FY 2011 the Stewardship Information will be reported as follows:

#### Basic

- Mission Relevance
- Stewardship Policies
- Stewardship Land
- Non-Collectible Heritage Assets
- Collectible Heritage Assets

#### RSI

- Deferred Maintenance
- Condition of Stewardship Land
- Condition of Non-Collectible and Collectible Heritage Assets

#### RSSI

- Investments – (Research and Development, Human Capital, and Non-Federal Physical Property)

In the Basic section of the AFR, the Stewardship Note will consist of descriptive paragraph(s) on how stewardship land and heritage assets relate to the mission of the

organization and the policies that guide their management. The Balance Sheet will include a Stewardship Assets line item with a zero dollar value and reference its explanatory note. This line item will be located below the total assets line on the face of the Balance Sheet.

To facilitate preparation of the FY 2011 Basic, RSI, and RSSI data, revised templates will be placed on the Citrix Server. Bureaus should be aware that information included in the Basic section is audited. Therefore, ensure that the ending balance for FY 2010 will be the beginning balance for FY 2011; any changes shall be reflected as additions or deletions. All Templates for Basic, RSI, and RSSI data must be submitted to the Department in the format presented on the Citrix Server. Bureaus are also required to provide PFM with narrative information for Basic, RSI, and RSSI sections of the AFR.

In the three investment areas, bureaus should provide the full cost of the investment made for the current year and the preceding four years. "Output" is a tabulation, calculation, or recording of activity or effort that can be expressed in a qualitative or quantitative manner. "Outcome" is an assessment of the results of a program compared to its intended purpose along the following lines:

- Basic research – an identification of any major new discoveries that were made during the year;
- Applied research – an identification of any major new applications that were developed during the year; and,
- Developmental research – the progress of major developmental projects including the results with respect to projects completed or otherwise terminated during the year and the status of projects that will continue.

PFM will post the templates for the Basic, RSI, and RSSI sections on the Citrix Server and will notify the points of contact by E-mail when templates are finalized. As bureaus incorporate information into the templates, the file should be saved with the bureau acronym and the date the file was prepared/revised. Each subsequent update to the file should be appended with the current date. *Bureaus must notify PFM, either by telephone or E-mail, when Basic, RSI, and RSSI data has been updated to ensure that the most current information is input into the AFR.*

### **2<sup>nd</sup> Quarter Reporting**

Although HASL, RSI (deferred maintenance and condition assessments for land and heritage assets) and RSSI (investments in R&D, Human Capital and Non-Federal Physical Property) information will not be required until 3<sup>rd</sup> quarter, please ensure that all ending balances for FY 2010 are carried forward as beginning balances for FY 2011. Any changes are to be reflected as additions or deletions in the current year.

### **3<sup>rd</sup> Quarter Reporting**

The Department will prepare a complete 3<sup>rd</sup> quarter draft of the AFR for review by the consolidated audit team. This requires that Basic, RSI, and RSSI sections be submitted

to PFM by July 15, 2011, with data as of June 30, 2011.

#### **4th Quarter Reporting**

Updated 4<sup>th</sup> quarter data (Basic, RSI and RSSI) must be submitted to PFM by October 14, 2011, for inclusion in the final AFR which must be completed NLT than November 15, 2011.

#### **Basic, RSI, and RSSI Contacts**

To assist with the collection and consolidation of the Basic, RSI, and RSSI materials, a designated point of contact for each bureau is required. The primary contact should have knowledge of the Basic, RSI, and RSSI process, be available to answer questions from PFM, and be responsible for the preparation of the bureau Basic, RSI, and RSSI sections. Bureau contact information (name, telephone number, and e-mail address, and, if more than one contact is designated, their Basic, RSI, and RSSI area of responsibility) should be provided to the contact listed below no later than April 16, 2011.

If you have questions, please contact Parker Hill on 202-513-0850 or ([parker\\_hill@ios.doi.gov](mailto:parker_hill@ios.doi.gov))

Cc: Financial Statement Guidance Team  
Finance Officers Partnership

Attachment

## FY 2011 REQUIRED SUPPLEMENTARY STEWARDSHIP DISCLOSURES

- A. Narrative Information (Basic)** - Bureaus should provide a concise statement explaining how heritage assets relate to the overall mission of the bureau. Types of information that demonstrate this relationship are compliance with laws and regulations and specific designation by authoritative bodies. Bureaus should also provide a brief description of the stewardship policies for heritage assets that include the goals and principles the bureau has established to guide the acquisition, maintenance, use, and disposal of heritage assets consistent with statutory requirements, prohibitions, and limitations governing the bureau and the heritage assets. This narrative information appears as a Note in the Notes to Principal Financial Statements (Basic).
- B. Deferred Maintenance (RSI)** - The U.S. Department of the Interior owns, builds, purchases, and contracts services for assets such as schools, office buildings, roads, bridges, dams, irrigation systems, and reservoirs. The SFFAS 6, "Accounting for Property, Plant, and Equipment," and SFFAS 14, "Amendments to Deferred Maintenance Reporting Amending SFFAS 6, Accounting for Property, Plant and Equipment and SFFAS 8, Supplementary Stewardship Reporting," require annual disclosure of the estimated cost to remedy accumulated deferred maintenance on Interior property, plant, and equipment (PP&E). Both General PP&E and Stewardship PP&E are included. Deferred maintenance is the result of maintenance not being performed when it should have been or when it was scheduled. Deferred maintenance can be categorized as critical or non-critical.

Language used in the 2011 AFR will be reviewed and coordinated with the Office of Acquisition and Property Management to ensure the information reported is in compliance with the Departmental Asset Management Plan. At the present time, it is not anticipated that there will be any significant changes in the language or condition definitions.

Additional information on Deferred Maintenance may be found in the Asset Management Plan issued by the Office of Acquisition and Property Management.

- C. Federal Stewardship Land (Basic and RSI)** - Federal stewardship land is defined as land owned by the Federal government that was not acquired for or in connection with general property, plant, and equipment. Land is defined as the solid part of the surface of the earth. Excluded from the definition are the natural resources (that is, depletable resources, such as mineral deposits and petroleum; renewable resources, such as timber; and the outer-continental shelf resources) related to land. Certain assets, such as national parks, may be defined as both stewardship land and heritage assets. Thus, these assets will be reported by the same number of physical units under stewardship land (e.g. parks) and non-collectible heritage assets. Federal stewardship land is reported in terms of physical units of a major category rather than acreage, cost, fair value, or other monetary value.

For the categories of stewardship land included in the Lands Template, bureaus are required to provide the additions and withdrawals of Federal units during the fiscal year. Ensure that the ending balance for FY 2010 is the beginning balance for FY 2011; any changes will be reflected as additions/deletions. Ensure that the physical unit being used is included in the land template.

Bureau submissions should include a description of each major category of stewardship land use. Where units of land have more than one use, the predominant use of the land should be considered the major use. In cases where land has multiple uses, none of which is predominant, a description of the multiple uses should be presented. For each major category of stewardship land use, the following should be submitted:

- The number of physical units by major category of stewardship land use for which the entity is the steward as of the end of the reporting period;
- The number of physical units by major category of stewardship land use that were acquired and the number of physical units by major category of stewardship land use that were withdrawn during the reporting period; and,
- A description of the major methods of acquisition and withdrawal of stewardship land during the reporting period.

The condition of stewardship land will be reported in RSI and will include discussions of the overall condition of the land. The categories of condition are:

- **Acceptable** – when the land is adequate for operating needs and Interior has not identified any polluted or contaminated areas that would require intervention to prepare or sustain the land for its intended use; and,
- **Needs Intervention** – when Interior has identified polluted or contaminated areas within units of Interior land that require intervention to prepare or sustain the land for its intended use.

**D. Heritage Assets (Basic and RSI)** are property, plant, and equipment that are unique because of historical or natural significance, cultural, educational, or artistic importance, or for significant architectural characteristics. Heritage assets are generally expected to be preserved indefinitely. Heritage assets include non-collectible heritage assets, such as properties that have been officially designated, and collectible heritage assets, such as library and museum collections.

**1. Non-Collectible Heritage Assets (Basic and RSI).** The primary factor utilized to determine whether stewardship assets should be included in note disclosure is whether or not they have been either Presidentially, Congressionally, or Departmentally (by the Secretary of the Interior) designated (not proposed). Using only these official designations as the criteria for inclusion into footnote disclosure takes the scientific burden of proving the worthiness of each discovery out of the financial community and places it back into the scientific arena. The

financial statements will report only those assets that the scientists have deemed significant enough to secure an official designation.

Examples of such heritage assets include assets listed in the National Historic Landmarks program that have been designated by the Secretary of the Interior. Because these designations are easily verifiable, this data can be accumulated with minimal supervision. This same methodology is applied to heritage assets that have been officially designated such as National Monuments, Wilderness Areas, National Scenic Trails, etc.

Bureaus must enter the number of units as of October 1, 2010 (ensure that the ending balance for FY 2010 is the beginning balance for FY 2011; any changes will be reflected as additions/deletions); additions and withdrawals during the fiscal year; the ending balance as of September 30, 2010; the condition of the assets (acceptable, unacceptable, unknown), unless the asset is land, in which case it would have the same condition statements as noted above in the Federal Stewardship Land section. The narrative section should include a description of the methods by which non-collectible heritage assets are acquired and withdrawn as well as any other information that would be of interest to the public and which illustrates the mission of the bureau.

In addition, the fair value of heritage assets acquired through donation or devise during the reporting period should be disclosed, if known and material.

The condition of non-collectible heritage assets will be reported in RSI and will include discussions of the overall condition of the heritage asset. The categories of condition are:

- **Acceptable** – when all of an asset's critical systems have no critical or serious deferred maintenance; critical systems with minor deferred maintenance and non-critical systems with any priority of deferred maintenance may exist. Acceptable condition may vary by asset type (building, road, or trail, etc.);
- **Unacceptable** – when some of an asset's critical systems have critical or serious deficiencies. The threshold used to determine acceptable and unacceptable will vary based on the mission and types of assets; and,
- **Unknown** – due to the nature of the location, such as underwater, under snow, or under other structures, the condition cannot be determined or that, due to financial constraints, a bureau has been unable to determine condition.

The threshold used to determine acceptable and unacceptable will vary based on the mission and types of assets.

Bureaus may use more specific condition criteria if it is utilized for all heritage assets and is disclosed in the condition information for heritage assets in RSI.

When entering asset condition information on the template, enter the number of total assets in the appropriate condition column. After all data has been

consolidated, PFM will convert this number to a percentage.

- 2. Collectible Heritage Assets - Library Collections (Basic and RSI).** The determining factor in the identification of a library as collectible heritage asset is whether or not it has been *Presidentially, Congressionally, or Departmentally* (by the Secretary of the Interior) designated. Only those assets that have been deemed significant enough to secure an official designation are suitable for footnote disclosure. This relieves the burden of determining whether a library is a research/resource facility or a heritage asset.

The condition assessments of the library collections will appear in the RSI section and will be based on the policy issued by the Office of Financial Management on April 11, 2007.

Condition assessments are based on adherence to national standards for temperature and relative humidity, exposure to light, gaseous contaminants, and particulates and are assigned as follows:

- Good --Achieves all of the standards for temperature/humidity, exposure to light, gaseous contaminates, and particulates at the good or fair levels.
- Fair--Achieves two or more of the four standards at the good or fair levels.
- Poor--Achieves less than two of the four standards at the good or fair levels.
- Unknown--Environmental assessment not conducted (may be reported for no more than two years). This category is to be used until a study has been completed and results received in writing.

Condition Assessments will be valid for no more than five years. It is recommended, however, that assessments be completed every two to three years.

The Library template lists total library collections as of October 1, 2011 (ensure that the ending balance for FY 2010 is the beginning balance for FY 2011; any changes will be reflected as additions/deletions), total additions and withdrawals, and, the ending balance as of September 30, 2011. When entering library condition information on the template, enter the number of collections in the appropriate condition column. After all data has been consolidated, PFM will convert this number to a percentage.

- 3. Collectible Heritage Assets – Museum Collections (Basic and RSI).** The condition assessment for museum collections will appear in the RSI section. Museum collections are housed in Interior facilities or in Non-Interior facilities. Categories for condition for museum collections, based on the standards in 411 DM Short List and accepted industry practices and standards, are:

- Good – the facility housing the collection is in good condition;
- Fair – the facility housing the collection is in fair condition;
- Poor – the facility housing the collection is in need of major conservation efforts based on the Short List definitions; and,
- Unknown – the facility has not been assessed or the assessment is more than 5 years old.

The Museum template lists total museum collections as of October 1, 2010 (ensure that the ending balance for FY 2010 is the beginning balance for FY 2011; any changes will be reflected as additions/deletions), total additions and withdrawals, the ending balance as of September 30, 2011. When entering museum condition information on the template, enter the number of total collections in the appropriate condition column. After all data has been consolidated, PFM will convert this number to a percentage.

- C. Stewardship Investments (RSSI) -** Stewardship investments are substantial investments made by the Federal government for the benefit of the nation and will continue to be reported in the RSSI section of the consolidated AFR. Stewardship investment categories reported are: (1) investment in research and development; (2) investment in human capital; and (3) investment in non-federal physical property. Costs reported for stewardship investments should be on an accrual basis, not obligations or expenditures. Bureaus should also report on outputs and outcomes for stewardship investments as discussed below.

**1. Investment in Research and Development.** Investment in Research and Development are costs incurred to support the search for new or refined knowledge and ideas and for the application and use of such knowledge and ideas for the development of new or improved products and processes. The types of research and development are:

- Basic – systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes or products in mind;
- Applied – systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met; and,
- Developmental – systematic use of the knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

Bureaus should report the full cost of the investment made for the current year and the preceding four years. Outputs and outcomes with readily apparent relationships to the investment should be discussed in the narrative section as defined in SFFAS 8, *Supplementary Stewardship*

*Reporting, Statement of Federal Financial Accounting, Chapter 7.*

“Output” is a tabulation, calculation, or recording of activity or effort that can be expressed in a qualitative or quantitative manner. “Outcome” is an assessment of the results of a program compared to its intended purpose along the following lines:

- Basic research – an identification of any major new discoveries that were made during the year;
- Applied research – an identification of any major new applications that were developed during the year; and,
- Developmental research – the progress of major developmental projects including the results with respect to projects completed or otherwise terminated during the year and the status of projects that will continue.

The information provided concerning outcomes should provide, in concise form, a plausible basis for judging the extent to which the program is achieving its purpose.

- 2. Investment in Human Capital.** Investment in Human Capital includes education and training programs financed by the Federal government for the benefit of the public. Investment in human capital excludes education and training expenses for Federal employees. Bureaus should include the full cost of the investment for the current and preceding four years.

Outputs and outcomes with readily apparent relationships to the human capital investments are reported in the narrative section of the AFR. An example of an output/outcome would be the number of students enrolled versus the number of students who graduated in the BIA schools, or any other data indicating the effectiveness of the program in achieving its intended purpose.

*Job Corps programs (including the 477 program as well as the Job Corps Centers) are not reported by Interior due to the 2007 revisions contained in OMB Circular A-136, Financial Reporting Requirements, revised in 2007. Monies received from the Department of Labor for this program are Parent/Child (Interior is the child) and only the parent reports on the funds. Job Corps funding received prior to Fiscal Year 2007 was included in the Human Capital template until FY 2010 to meet the five year data requirement. FY 2011 is the first year Job Corps data will not be reported.*

- 3. Investment in Non-Federal Physical Property.** Investment in Non-Federal Physical Property are expenses incurred by the Federal government for the purchase, construction, or major renovation of physical property owned by or given to state and local governments or to U.S. territories under the jurisdiction of the Department of the Interior.

Minimum reporting includes the following (SFFAS 8, Chapter 5, Paragraph 87): annual investment, including a description of federally-owned physical property transferred to state and local governments. Bureaus should describe major programs involving Federal investments, including descriptions of programs or policies under which non-cash assets are transferred to state and local governments for the current year and the preceding four years. Reporting shall be at a meaningful category or level such as:

- Dams and other water structures;
- Land;
- Roads and bridges;
- Schools and public buildings;
- Ranges (reported only by Fish and Wildlife Service); and,
- Not classified.

Due to the 2007 revisions contained in OMB Circular A-136, *Financial Reporting Requirements*, monies received by the Bureau of Indian Affairs from the Department of Transportation for this program will not be reported since the funds are provided in a Parent/Child relationship (Interior is the child) and only the parent reports on the funds.