

## Frequently Asked Questions

### VIAS Cost Accrual Adjustments

#### **1. I am not familiar with DOE Cost Accrual Requirements. Where can I get guidance at?**

There are several sources for guidance on DOE cost accruals. The most comprehensive source for detailed information on the DOE cost accrual process is EMCBC Cost Accrual Guide available at <http://www.mbe.doe.gov/policy/actindex/index.htm> located under the Cost Accrual Oversight Section. This document goes into great detail about how DOE complies with accrual-based accounting requirements.

The next best source is the Cost Accrual Tutorial available in FAST at <http://fast.doe.gov>. FAST registration is required for the tutorial. The DOE Accounting Handbook Chapter 11 is another useful source for general cost accrual requirements. See <http://www.mbe.doe.gov/policy/actindex/index.htm>. Finally, the primary point of contact for DOE cost accruals is Ericka French EMCBC Office. She can be contacted at (513)246-0506 or [ericka.french@emcbc.doe.gov](mailto:ericka.french@emcbc.doe.gov)

#### **2. I've read all the guidance, but I still do not fully understand the accruals process. Can I get one-on-one or group training?**

Yes. Contact Ericka French at (513)246-0506 or [ericka.french@emcbc.doe.gov](mailto:ericka.french@emcbc.doe.gov) and she will make arrangements for instructor-led training. If you are located at a Field Office, contact her for training opportunities or assistance.

#### **3. When are VIAS accrual adjustments required?**

VIAS Cost Accrual Adjustments can only be made on the **4<sup>th</sup> and 5<sup>th</sup> workdays** of the month that follows. All adjustments add to or subtract from the prior month's costs. For e.g., cost accrual adjustments made on the **5<sup>th</sup>** workday in Jun-09 impact I-Manage Data Warehouse (IDW) cost reports for the period ending May-09. Once all of the adjustments are made on the **4<sup>th</sup> and 5<sup>th</sup>** workdays, the results are compiled and the entries are recorded against the preceding accounting period. All accruals are immediately reversed in the current accounting period in anticipation of receiving the actual invoice or cost report.

#### **4. I've read the guidance and I've taken the VIAS Accrual tutorial and I now understand why it's important to adjust my cost accruals. For the awards under my cognizance, how do I determine what my monthly cost accrual should be?**

## **The Matching Principle**

Before determining the accrual, it is vital that the ***Accounting Matching Principle*** be understood clearly. The Matching Principle is the cornerstone of accrual-based accounting and states that expenses (and revenues) should be matched (i.e. recorded) to the accounting period in which they were incurred. For e.g., if an invoice covering the performance period May 1 to May 31 is received on June 15th, the amount of that invoice should have been included as part of the May cost accrual. The opportunity to record the May cost accrual through VIAS on the 4<sup>th</sup> and 5<sup>th</sup> workday of June preceded the invoice making it necessary to employ one of the methods below.

Bearing in mind that the cost accrual represents projected costs incurred that have not yet been invoiced, the first step is to determine the uncosted obligations balance (a.k.a. “undelivered order balance” or “receipts available” balance) for the accounting period. The easiest way to determine this amount for a specific PO (or CID) is by looking at the grand total of the “receipts available” column on the Monthly Accrual screen in VIAS. This amount already incorporates the STARS default accrued costs which can be seen in the adjacent column to the right.

Once the uncosted balance (i.e. “receipts available”) is determined, there are several methods that can be employed to determine what the accrued costs should be. These methods, in order of preference, include:

### **Unbilled Costs Directly From Vendor**

Contacting the vendor directly and requesting an estimate (preferably in writing via e-mail) of the unbilled costs for the latest performance period is provides for the most accurate cost accrual. For e.g., if the vendor provides an estimate that shows unbilled costs for May-09 are \$100 and the VIAS STARS accrual amount is \$75, an upward adjustment of \$25 is required on either the 4<sup>th</sup> or 5<sup>th</sup> workday of Jun-09.

### **Percentage of Completion Method**

Contacting the Contracting Officer’s technical monitor to determine the percentage of completion is the 2<sup>nd</sup> most accurate method. Under this method, use the following formula to determine the true uncosted balance:

Cumulative Obligations \* (1 - % of completion) = True Uncosted Balance.

*[For example, if as of May 31, 2009, cumulative obligations on PO AB000001 were \$100 and the percentage of completion was 75%, the ending uncosted balance for May-09 is really \$25. You receive notification from VIAS that STARS accruals are ready to be adjusted you*

*log into VIAS on either the 4<sup>th</sup> or 5<sup>th</sup> workday in Jun-09. You notice that Total VIAS “receipts available” are \$30. In this case, an upward adjustment of \$5 is required to reduce available funding.]*

### **Average Invoice or Prior Invoice Method**

Use the average invoice amount (or the latest invoice if that makes more sense) to determine unbilled costs for the latest performance period and adjust the STARS accrual amount by the difference. Although there are many other acceptable methods of determining unbilled costs, these are the most popular and easily supportable.

#### **5. Do cost accruals tie up my funding, take away a portion of my uncosted balance, and/or prevent contract performance?**

No. It is important to understand the difference between “*Accruals*” and “*Costs*”. “*Costs*” are recorded when an invoice or cost report is approved that covers a specific performance period. “*Costs*” accumulate throughout the year and deplete the obligations available for expenditure. “*Cost accruals*” do not accumulate throughout the year. They are recorded at month-end as “placeholders” in anticipation of the actual invoice for that period it’s being received and recorded in the following month. In other words, they simply “projections” of unbilled costs already incurred. Cost accruals are reversed (backed out of the accounting system) immediately on the first day of the new accounting period, freeing up the obligations available in anticipation of receiving the actual invoice for costs incurred during the preceding accounting period(s).

#### **6. I have an invoice in my VIAS queue waiting for approval. Have these costs already been recorded in the system?**

No, costs are not recorded in the system until the approving official approves the invoice. When the invoice is received, ORFSC does not have enough information on hand to be able to distribute the costs to the appropriate lines of financing. For example, if a PO has three funding strings and an invoice is received for \$100, ORFSC would not know how to distribute the \$100 to those lines without the approving official’s intervention and approval.

#### **7. I approved an invoice on the 2<sup>nd</sup> workday of the month. Will these costs be posted against the prior month?**

Yes, if you approve an invoice on the 1<sup>st</sup>, 2<sup>nd</sup> or 3<sup>rd</sup> workday, the costs will be posted to the previous accounting period. The STARS accounting system closes the previous month’s accounting period at 12:00pm on the 3<sup>rd</sup> workday; transactions are compiled and balances are calculated; tables are updated; and then accruals are generated for delivery to VIAS users. VIAS adjustments on the 4<sup>th</sup> and 5<sup>th</sup> workday will also be posted to the previous accounting period.

**8. How long should I keep supporting documentation for my accrual adjustments?**

Proper documentation implies that support is in writing and available for audit. Since they can be considered “Expenditure Accounting Posting and Control” files, under NARA – General records Schedule 7; it is advisable that you retain this support for a period of *three years* from the end of the Fiscal Year in which they were created. After three years, they may be destroyed.

**9. Is there a fill-able form that I can use to as accrual support?**

Yes, fill-able forms are available to assist you in calculating and maintaining support for your adjustments. Contact [ericka.french@emcbc.doe.gov](mailto:ericka.french@emcbc.doe.gov)

**10. The Default accruals for my Purchase Order(s) are consistently overstating (or understating) uncosted balances. Is there a way to make the default accruals more accurate so that I don’t have to make large adjustments each month?**

Yes, the default accrual is driven by a *daily payment rate* which is multiplied by an assumed *billing cycle days factor*. By adjusting the number of billing cycle days used in the formula, we can adjust the default accrual to make it more accurate for you. For e.g., if the default accrual is generating 30 days of cost, but your PO is on a 2-week (14-day) invoicing cycle, you can request your local point of contact Ericka French to adjust the billing cycle on the award.