

## **CHAPTER 1. OVERVIEW AND AUTHORITY**

### **1-1 Background and Purpose**

- A.** The Chief Financial Officers Act of 1990 (CFO Act) sought to bring more effective general and financial management practices to the Federal Government, to provide for improvement of systems of accounting, financial management, and internal controls in each agency of the Federal Government, and to provide for the production of complete, reliable, timely, and consistent financial information for use by the executive branch and the Congress in the financing, management, and evaluation of Federal programs.
- B.** The CFO Act empowers CFOs to develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls, which complies with applicable accounting principles, standards, and requirements, and internal control standards.
- C.** The purpose of this handbook is to establish the policies and responsibilities of the Office of the CFO and of the component entities within HUD, especially with regard to the collection, maintenance, and reporting of financial data in a manner that complies with all applicable standards and guidance.

### **1-2 Scope**

- A.** The scope of this policy includes all components of HUD that generate financial data maintained in financial systems and reported in HUD's Agency Financial Report (AFR) and in the *Financial Report of the United States*.
- B.** The three component systems that contribute to HUD's AFR include: the core financial systems managed by the Office of the CFO (OCFO), the Federal Housing Administration (FHA), and the Government National Mortgage Association (GNMA or Ginnie Mae). All program offices contributing financial data to these financial systems are responsible for compliance with the accounting policies contained in this handbook.

### **1-3 Related Legislation, Regulations, and Guidance**

- A.** The CFO Act establishes the purpose and the authority of the CFO within all CFO Act agencies.
- B.** The Federal Accounting Standards Advisory Board (FASAB) was created in 1990, shortly after the enactment of the CFO Act. It is the body that promulgates generally accepted accounting principles (GAAP) for federal government entities.
- C.** The GMRA mandates that each executive agency prepare and submit an audited financial statement covering all accounts and associated activities of each office, bureau, and activity of the agency.

- D. The United States Standard General Ledger (USSGL) provides a uniform set of accounts to standardize Federal agency accounting and to support the preparation of standard external reports. The USSGL identifies and defines budgetary, proprietary, and memorandum accounts to be used in agency financial systems. All agencies are required to comply with the USSGL at the transaction level.
- E. The Office of Management and Budget (OMB) provides guidance to Federal agencies for compliance with financial reporting requirements. OMB Circular A-11, *Preparation, Submission and Execution of the Budget*, and OMB Circular A-136, *Financial Reporting Requirements*, establish OMB's guidelines for tracking and reporting Federal financial activity.
- F. The Department of the Treasury (Treasury) oversees the publication of the *Financial Report of the United States*. Guidance is provided in the Treasury Financial Manual (TFM), Volume 1, Part 2, Chapter 4700, Agency Reporting Requirements for the *Financial Report of the United States*. [I TFM 2-4700]

#### 1-4 **FHA and Ginnie Mae**

- A. FHA and Ginnie Mae are legislatively established entities under the HUD umbrella.
- B. FHA administers a wide range of activities to make mortgage financing more accessible to the home-buying public and to increase the availability of affordable housing to families and individuals, particularly to the nation's poor and disadvantaged. FHA insures private lenders against loss on mortgages which finance single family homes, multifamily projects, health care facilities, property improvements, manufactured homes, and reverse mortgages.
  1. Since FHA guarantees loans, it must adhere to the Federal Credit Reform Act of 1990. FHA collects premiums, earns interest on cash balances from Treasury, recovers funds from asset sales, and receives administrative appropriations. FHA also disburses payments for claims and property and operating expenses.
  2. Due to FHA's complex accounting requirements, it is practical for FHA to use separate financial systems. FHA's principal financial statements are presented in conformity with GAAP for Federal agencies as promulgated by FASAB.
- C. Ginnie Mae is a government corporation which facilitates the pooling of mortgage loans into Mortgage Backed Securities for the purpose of producing liquidity of capital within the mortgage markets. Ginnie Mae's financial systems are operated independent of HUD's other financial systems.
  1. The basis of accounting used for the financial statements produced by Ginnie Mae for its stakeholders is that of the Financial Accounting Standards Board

(FASB), which uses commercial GAAP standards that are different from the FASAB produced GAAP.

2. Ginnie Mae has also implemented an additional accounting protocol that complies with the requirements of the USSGL for budgetary accounting.

#### **1-5 Roles and Responsibilities**

- A. In accordance with the CFO Act, the HUD CFO (or the Deputy CFO, in the absence of the CFO) is responsible for establishing and enforcing the accounting policies and standards for HUD and its component entities. This is accomplished through the promulgation of handbooks such as this one and through procedural memos for offices and personnel within the OCFO.
- B. The OCFO must ensure that all HUD financial systems are recording and maintaining financial data in a way that is consistent with government policies. This is a combined effort representing two offices within OCFO.
  1. The OACFO for Systems provides assurance of the integrity of the financial systems and is responsible for maintaining and reporting on financial data for all financial activity occurring in HUD operations, other than financial activity conducted and maintained by FHA and Ginnie Mae. Financial reports are provided to the OACFO for Accounting by the financial systems managed by the OACFO for Systems.
  2. The OACFO for Accounting distributes templates to component entities for financial statements and notes to ensure that financial data received from component entities are reported in the consolidated statements in a manner that complies with all standards and guidance applicable to Federal executive agency reporting.
- C. The Housing-FHA Comptroller in FHA and the Chief Financial Officer for Ginnie Mae are responsible and accountable to the HUD CFO for ensuring that the financial data within and reported by those component entities are secure, accurate, and reportable in compliance with applicable government standards.

#### **1-6 Exclusions**

- A. The stakeholder needs of Ginnie Mae may necessitate the production of statements that are based on standards other than those promulgated by FASAB, in order to meet the needs of the governing authorities for those entities. While separate and additional accounting structures are permissible, the funds are still federal funds and the standards of the USSGL must also be adhered to.