

Financial Improvement and Audit Readiness Methodology
Assertion Work Product Example
Aging Analysis Demonstrating Years Documentation Must Be Retained

Detailed Activity 1.4.4 – Determine Retention Requirements (Reporting Entities)
Detailed Activity 1.6.4 – Determine Retention Requirements (Service Providers)

NOTE: The Tool/Template/Work Product below is an example aging analysis. This example depicts one possible method for determining how long a Component must retain the forms, invoices, and other documentation that supports its financial statement balances and underlying transactions. **This example applies only to unclassified records and documentation; classified material requires separate and special consideration.**

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NOTE: Supporting documentation should be retained for as long as required to support any recorded transaction or balance in the Component’s financial records (electronic storage is preferable for efficiency and ease of retrieval). In completing this analysis, consider requirements of the National Archives and Records Administration’s (NARA) General Records Schedules (GRS) as well as the Component’s records management policies and procedures. Generally, for most financial documentation, the GRS allow an agency to “[d]elete [financial records when] they are no longer needed for ... audit... purposes.” (NARA GRS 20, April 2010, page 84) Accordingly, Components need to establish retention requirements for as long as necessary to support an audit.

While an aging analysis can be prepared for a particular assessable unit, Component’s may find it more efficient to prepare an overall aging analysis since many document types support multiple facets of a transaction. For example, a Form SF-50, Notification of Personnel Action, supports payroll cycle controls, gross pay and benefits expenses and payroll disbursements.

In this example, which is applicable to general fund operations, net disbursements from Fund Balance with Treasury (FBWT) are used to determine a sufficient period over which documentation should be retained because FBWT activity is recorded in many types of Component transactions. The spreadsheet analysis discussed herein (and depicted on page 3) is but one approach for determining document retention requirements. Components may utilize other methods as appropriate based on assessable unit, nature of operations, funding sources and availability of data.

Purpose: To document analysis for determining requirements for retention of documentation necessary to support financial transactions and business events recorded by the Defense Component Agency (DCA) in its financial systems.

Scope: DCA unclassified programs; cumulative Fund Balance with Treasury (FBWT) disbursement and collection activity through 9/30/2011.

Discussion: DCA receives appropriated funds that expire over periods ranging from 1 – 3 years, as well as a small amount of appropriated funding that is available until expended (no-year funds); DCA does not receive Military Construction funds. Additionally, over 90% of DCA’s transactions result in an increase or decrease to FBWT. Accordingly, we determined that an analysis of net disbursements would provide a reasonable basis for establishing document retention requirements for supporting a financial statement audit.

After obtaining and reconciling the FBWT data, the spreadsheet shown on the next page was developed to determine a sufficient period that would cover at least 99% of net disbursement activity. As indicated by the analysis, the appropriate length of time was determined to be nine (9) years.

Conclusion: DCA will ensure supporting documentation is retained for a minimum period of nine (9) years for audit purposes.

NOTE: Documentation reflecting the status of identified material weaknesses will be maintained through the entire process of resolution and corrective action.

EXAMPLE

Net Disbursements										
Appropriation Year	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003	Total
2011	(140,405,233,037)									(140,405,233,037)
2010	(66,566,033,861)	(128,825,698,214)								(195,391,732,075)
2009	(13,188,357,771)	(45,940,375,988)	(119,620,489,587)							(178,749,223,346)
2008	(2,423,593,525)	(12,642,384,387)	(40,761,134,931)	(105,302,886,152)						(161,129,998,995)
2007	(1,033,049,943)	(4,300,845,902)	(15,430,842,433)	(53,021,456,940)	(102,275,108,418)					(176,061,303,636)
2006	(984,432,884)	(559,754,766)	(2,144,112,413)	(7,939,207,489)	(30,410,121,537)	(87,010,007,863)				(129,047,636,952)
2005	(52,281,693)	(207,042,600)	(502,191,009)	(1,414,703,686)	(5,486,722,894)	(19,408,258,156)	(63,712,302,330)			(90,783,502,368)
2004	(26,601,593)	(52,178,818)	(237,503,983)	(472,629,230)	(1,279,015,984)	(5,041,958,423)	(18,214,293,189)	(56,528,690,434)		(81,852,871,654)
2003	(807,837)	(52,836,785)	(66,710,386)	(221,276,979)	(537,202,748)	(1,403,886,359)	(4,734,580,707)	(16,058,377,477)	(54,373,335,629)	(77,449,014,907)
2002	(1,120,953)	(615,902)	(27,865,830)	(43,971,769)	(242,760,110)	(308,578,206)	(1,231,727,409)	(3,773,221,801)	(16,071,849,936)	(21,701,711,916)
2001		(829,403)	(3,066,617)	(20,929,118)	(41,370,490)	(123,304,078)	(361,527,868)	(1,015,108,438)	(2,631,652,780)	(4,197,788,792)
2000			(1,397,545)	365,485	(24,826,026)	(61,811,449)	(267,868,375)	(499,124,482)	(1,186,445,985)	(2,041,108,377)
1999				(1,950,041)	(1,222,460)	(31,374,061)	(64,710,910)	(238,214,048)	(314,085,765)	(651,557,285)
1998						(3,259,840)	(29,356,350)	(86,292,220)	(317,627,337)	(436,535,747)
1997					12,252	(1,051,097)	1,874,008	(45,522,586)	(138,450,905)	(183,138,328)
1996							(619,908)	(2,542,095)	(87,100,948)	(90,262,951)
1995							237,122	(1,813,815)	(8,878,924)	(10,455,617)
1994							124,182		(2,710,695)	(2,586,513)
No Year	(396,039,290)	369,567,498	(265,445,522)	(32,473,092)	(306,772,658)	(1,373,187,421)	(171,774,320)	(87,770,638)	(301,688,874)	(2,565,584,317)
Suspense Accounts	1,020,126,504	(997,941,274)	653,236,842	(224,044,880)	(1,770,970,835)	(1,718,983,247)	(463,924,277)	(629,013,797)	(2,180,231,501)	(6,311,746,465)
TOTAL	(224,057,425,883)	(193,210,936,541)	(178,407,523,414)	(168,695,163,891)	(142,376,081,908)	(116,485,660,200)	(89,250,450,331)	(78,965,691,831)	(77,614,059,279)	(1,269,062,993,278)
Adjusted Total (excluding App. Yr. '94 - '02)	(224,056,304,930)	(193,209,491,236)	(178,375,193,422)	(168,628,678,448)	(142,065,915,074)	(115,956,281,469)	(87,296,874,823)	(73,303,852,346)	(56,855,256,004)	(1,239,747,847,752)

Summary: (excluding App. Yr. '94 - '02)		
2011	(224,056,304,930)	18%
2011-2010	(417,265,796,166)	34%
2011-2009	(595,640,989,588)	48%
2011-2008	(764,269,668,036)	62%
2011-2007	(906,335,583,110)	73%
2011-2006	(1,022,291,864,579)	82%
2011-2005	(1,109,588,739,402)	90%
2011-2004	(1,182,892,591,748)	95%
2011-2003	(1,239,747,847,752)	100%