



OFFICE OF THE UNDER SECRETARY OF DEFENSE
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COMPTROLLER

MEMORANDUM FOR ASSISTANT SECRETARIES OF THE MILITARY
DEPARTMENTS (FINANCIAL MANAGEMENT AND
COMPTROLLER)
COMPTROLLER, U.S. ARMY CORPS OF ENGINEERS
ASSISTANT SECRETARY OF DEFENSE (HEALTH
AFFAIRS)
INSPECTOR GENERAL OF THE DEPARTMENT OF
DEFENSE
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES
U.S. SPECIAL OPERATIONS COMMAND,
COMPTROLLER

SUBJECT: Clarification of Fund Balance with Treasury (FBWT) Reconciliation
Requirements

The Department of Defense (DoD) Financial Management Regulation, Volume 4, Chapter 2, Section 0207, "Fund Balance with Treasury Reconciliations" sets forth the basic FBWT reconciliation requirements. Its provisions require clarification to distinguish the DoD's FBWT reconciliation requirements from the Chief Financial Officer Quarterly Scorecard requirements (paragraph 020701) and the disbursing officer reconciliation requirements (paragraph 020701, subparagraphs A and B and paragraph 020702). In addition, the policy definition requires clarification that Defense Agencies and DoD Field Activities also must reconcile their FBWT accounts.

The attachment to this policy memorandum provides the added guidance for reconciling FBWT. This guidance is effective immediately and will be incorporated into the next update of Chapter 2.

My point of contact is Ron Tollefson. He may be reached by phone at (703) 602-0129 or by email at ron.tollefson@osd.mil.

A handwritten signature in black ink, appearing to read "Mark E. Easton".

Mark E. Easton
Deputy Chief Financial Officer

Attachment:
As stated

Reconciling Fund Balance with Treasury (FBWT) Policy – June 2009

Several financial statement audits and audit assessments have identified extensive operational and control problems that prevent the Department of Defense (DoD) from accurately accounting for and reconciling FBWT. These accountability and reconciliation problems create a number of significant issues including the inability to obtain an unqualified audit opinion. This policy defines a detailed FBWT reconciliation, thereby, addressing impediments identified and enumerated in the various audit reports.

The DoD requires every Defense Component with FBWT accounts (including those below the reporting levels required by the Treasury) to perform detailed reconciliations of their FBWT accounts (United States Standard General Ledger (USSGL) 1010 and 1090). The reconciliations will be performed at least monthly to ensure the accuracy and reliability of entity fund balance records and the integrity of the financial statements. The fund balance reconciliation is a reconciliation of available appropriation (spending authority). The fund balance reconciliation is separate and distinct from a Disbursing Officer's cash reconciliation (cash and monetary assets and the Statement of Accountability), the focus of which is reconciling the account activity to the cash activity (checks issued, deposits, EFT, etc.).

A "detailed FBWT reconciliation" includes a comparison of transactions at a level of detail sufficient for specific identification and to establish that proving the entity's FBWT general ledger accounts and the Treasury control totals are each accurately stated. The level of detail sufficient for specific identification includes voucher numbers for cash disbursements and collections, summary bill numbers for interfund transactions, and authorizing document numbers for non-expenditure transfers and funding events. Access to the supporting documentation (such as vouchers and summary bills) is required for research and will be required by auditors in audit sampling and testing.

The Treasury requires a reconciliation of the FBWT accounts to the Treasury reported amounts by Department Regular, Period of Availability, and Main Account (that is, Treasury index, fiscal year, and basic symbol). The DoD requires the same, as well as, additional reconciliation requirements below the Main Account level by Organization Unique Identifier Code (OUID, that is, limit level) of the Defense funds identified by the Treasury as Department Regular 97. The organizations comprising Department Regular 97 shall reconcile their respective FBWT balances individually and the sum total of all shall reconcile in whole to the Treasury reported amounts for Department Regular 97.

The OUIDs referenced in the preceding paragraph are DoD established unique account identifier codes that exist below the Treasury level of reporting; they are exclusive to DoD and purposed for internal accountability reporting and management. These exclusive codes are typically four digits, and are primarily used by DoD to distinctly identify, manage, and report the financial activity of Defense agencies, field activities, and other operational units reported by the Treasury as the combined activities of Department Regular 97. For DoD reporting purposes, the OUIDs of the Department Regular 97 should be reconciled individually with balances representing available

spending authority as managed within DoD. For Treasury reporting purposes, the OUIDs of the Department Regular 97 should be rolled up and, in total, reconcile to the Treasury's control total at the Treasury Account Symbol (TAS) level.

The Treasury Financial Manual (TFM) provides Treasury requirements for reconciling FBWT (TFM Vol. I, Part 2-5100 and Supplement), and the Financial Audit Manual (FAM) jointly published by the Government Accountability Office and the President's Council on Integrity and Efficiency provides guidance as to the FBWT audit issues (FAM Substantive Procedures Section 921—Auditing Fund Balance with Treasury). Neither the TFM nor the FAM specifically address reconciling the DoD exclusive account codes, as that is a DoD internal accountability practice. Therefore, Components should ensure that written standard operating procedures are put into place to direct and document that a detailed FBWT reconciliation process is operating effectively.

In the written standard operating procedures, Components must employ the practice of segregating the journal entry for unsupported undistributed amounts from the journal entry for the undistributed amounts that can be supported. This practice is essential for efficient cash reconciliation management and for audit support and measurement. For example, if the total undistributed amount is 95% supported and 5% unsupported, then use two journal voucher entries to segregate the amounts.

Definitions

Reconciliation. A “reconciliation” is a process that compares two sets of records (usually the balances of two accounts) and identifies, and explains all of the differences between the records or account balances. Differences, or reconciling items, may be caused by the timing of transactions, an invalid line of accounting or insufficient detail. A reconciliation is not complete until all of the differences are identified, accountability for those outstanding variances is assigned, and the differences explained.

FBWT Reconciliation. A FBWT reconciliation is a specific reconciliation of the actual accounting events, such as disbursements, back to the detailed amounts posted to both entity general ledgers and entity Treasury accounts. This reconciliation involves identifying accounting events or transactions that have not yet been recorded, or were improperly recorded, in either the general ledger or at Treasury. These transactions, usually referred to as “reconciling items,” are to be expected each time a reconciliation is performed due to timing differences and occasional errors. The goal of the reconciliation effort is to identify all of the reconciling items, and not to necessarily have *no* reconciling items.

Undistributed amounts. Undistributed amounts are discrepancies that are not yet reconciled and not yet researched to supporting documentation.

Forced balance entry. A “forced balance entry” represents any amount posted, usually at a summary level, to eliminate differences between the Component’s general ledger balance (USSGL 1010 and 1090) and the Treasury’s control total. Typically, these forced balance adjustments appear as “undistributed” amounts; when, in fact, they are discrepancies. While Components may be required by the Treasury to match the Treasury’s balance, a forced balance condition is not an adequate reconciliation of the USSGL 1010/1090. For purposes of a FBWT USSGL 1010/1090 reconciliation, Components should adequately research the causes of the discrepancies, identify undistributed amounts, and ultimately, clear the aged undistributed amounts.