

CHAPTER 7

UNITED STATES GOVERNMENT STANDARD GENERAL LEDGER

0701 PURPOSE. This chapter prescribes the United States Government Standard General Ledger (USGSGL) that is required for use in the accounting systems of the Department. Additional information on this subject may be obtained on the Internet at: <http://fms.treas.gov/ussgl/index.html>

0702 GENERAL

070201. The USGSGL integrates budgetary and proprietary accounting for each transaction, as would be required in an efficient, effective accounting system. Both the proprietary and budgetary accounts are self-balancing within themselves. The budgetary accounts are further divided into accounts applicable to three organizational levels within the Department of Defense (DoD). The three levels are (1) Departmental level, (2) Intermediate Command level and (3) Installation level. Budgetary accounts applicable to each of the three levels must be self-balancing within that level. Since installation level budgetary accounts are used to record budget execution transactions, they are not limited for use at an installation and may be used at any, or all, DoD organizational levels.

070202. Summary and posting accounts have been provided and are so designated in the USGSGL and associated account descriptions. A summary account is an account that has been subdivided into subsidiary posting accounts. Accounts that are not further subdivided are posting accounts. Postings should not be made to summary accounts.

0703 INTERNAL CONTROL STANDARDS. The objectives of internal controls are to reasonably assure that (1) obligations and costs comply with applicable law; (2) assets are safeguarded against waste, loss, unauthorized use, and misappropriation; (3) revenues and expenditures are recorded and accounted for properly so that accounts and reliable financial reports may be prepared and accountability of assets may be maintained. Specific internal control standards to achieve these objectives are outlined below:

070301. Documentation. Internal control systems and all transactions and significant events are to be documented clearly and the documentation is to be available for examination.

070302. Recording of Transactions and Events. Transactions and significant events are to be recorded promptly and classified properly.

070303. Execution of Transactions and Events. Transactions and significant events are to be authorized and executed only by persons acting within the scope of their authority.

070304. Separation of Duties. Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals.

070305. Supervision. Qualified and continuous supervision is to be provided to ensure that internal control objectives are achieved.

070306. Access to and Accountability for Resources. Access to resources and records is to be limited to authorized individuals. Accountability for the custody and use of resources is to be assigned and maintained. Periodic comparison shall be made of the resources with the recorded accountability to determine whether the two agree. The frequency of the comparison shall be a function of the vulnerability of the asset.

0704 APPLICABILITY AND SCOPE

★ 070401. The USGSGL is applicable to all DoD accounting systems for all appropriations and funds. The Office of Management and Budget (OMB) Circular A-127, “Financial Management Systems,” and the “Federal Financial Management Improvement Act of 1996” require implementation of the standard general ledger (SGL) at the transaction level throughout an agency’s financial management systems, meaning both financial and mixed system applications. This means that applications are required to process transactions following the definitions and defined uses of the general ledger accounts as described in the SGL. Compliance with this standard requires data in financial reports to be consistent with the SGL, transactions to be recorded consistently with SGL rules, and supporting transaction detail for SGL accounts to be readily available. SGL applicability does not depend on an application containing a general ledger itself. For example, a payroll system which processes transactions in accordance with SGL transaction rules, sends summarized data to the core financial system for appropriate posting, and provides for sufficient traceability from the general ledger balances to the source documentation, would be considered in compliance with the SGL at the transaction level.

★ 070402. The USGSGL uses a four-digit account numbering system. Within the DoD, the USGSGL shall be implemented using attributes and subaccounts to accomplish the internal and external reporting needs.

★ 070403. The basic structure of the USGSGL consists of:

Proprietary/Budgetary Accounts

- 1000 Assets
- 2000 Liabilities
- 3000 Equity
- 4000 Budgetary
- 5000 Revenues and Financing Sources
- 6000 Expense
- 7000 Gains/Losses/Extraordinary Items, etc.
- 8000 Memorandum

0705 BASIC CONCEPT

070501. All resources acquired and used, and claims against those resources, are to be recorded on the basis of financial transactions (i.e., recordation of amounts in general ledger accounts shall be transaction driven).

★ 070502. The USGSGL shall be used regardless of the sources of funds. However, fund identification of financial resources shall be maintained in order to (1) disclose compliance with financial authorizations and (2) prepare reports on the status of appropriations and funds for the Congress, the OMB, and the Treasury Department.

★ 070503. The USGSGL account structure is intended to be the minimum structure required to assure consistent treatment of similar transactions. Subsidiary accounts may be established as needed to meet specific management requirements. However, the prescribed accounts shall be used as general ledger control accounts. Structures that are “similar,” whether more or less detailed, are not authorized for use. Not all accounts are needed by all accounting entities.

★ 070504. The USGSGL account structure shall be used to record all of the series of events that occur from the time an appropriation is received until the resources acquired are used or disposed. A self-balancing set of budgetary accounts covers the appropriation, apportionment, allocation, commitment, obligation and expenditure process. Proprietary asset and liability accounts cover the receipt of funds in the Treasury, the proper classification of assets (such as receivables, prepayment, inventory and fixed assets), and the recognition and proper classification of liabilities. Revenue and expense accounts measure the realization of revenues from the sale of goods and services, and the recognition of costs through the use and consumption of assets. The financial control provided through accounting records for property provides managers with a tool that will help to discharge effectively their stewardship function for those resources.

★ 070505. The USGSGL account structure also facilitates the accumulation and recording of expenses by major areas of responsibility or activity. By having a single general ledger, expenses incurred by a DoD entity for any given activity for which it is responsible, and the associated revenues, if any, can be ascertained by managers with confidence that the accounting is complete and controlled. This will be possible regardless of the appropriation or fund that originally financed the cost and without the need for memorandum accounting records. Consistency in the accounting treatment of similar transactions, through the use of a uniform structure, creates reliable cost data for planning, budgeting and other management purposes.

★0706 OBJECTIVES. The objectives of the USGSGL are outlined in the following paragraphs.

070601. Establish an account structure for the integration of appropriation or fund accounting, property accounting, revenue accounting and expense accounting.

070602. Provide managers with the visibility over accurate and complete financial data, including total operating expenses and total acquisition cost of real and personal property.

070603. Achieve a uniform treatment of similar transactions by all DoD Components at all levels.

070604. Establish accounting control over all resources from receipt to consumption or disposal.

070605. Provide the capability of producing significant expense and cost information concerning programs, projects and other activities in accordance with internal management needs.

070606. Provide appropriation and fund data needed to meet reporting requirements of the central fiscal agencies and the Chief Financial Officers Act, as well as to provide such other financial data as may be needed for internal and external reporting requirements.

070607. Facilitate the development of future accounting improvements.

070608. Assure compliance with the OMB pronouncements, including those developed by the Federal Accounting Standards Advisory Board (FASAB); DoD accounting policies and standards set forth in this Regulation; and other applicable regulations promulgated by the central fiscal agencies.

0707 BUDGETARY AND PROPRIETARY ACCOUNTING RELATIONSHIPS. Figure 7-1 illustrates the following budgetary and proprietary accounting relationships.

070701. An entry to record budget authority (vice budgetary resources) in budgetary accounts requires a corresponding entry to record funds with Treasury in proprietary accounts.

070702. An entry to record expended authority unpaid in budgetary accounts requires a corresponding entry to record accounts payable in proprietary accounts.

070703. An entry to record expended authority paid in budgetary accounts requires a corresponding entry to record funds disbursed in proprietary accounts.

070704. An entry to record reimbursements earned but unpaid in budgetary accounts requires a corresponding entry to record accounts receivable in proprietary accounts.

070705. An entry to record reimbursements earned and paid in budgetary accounts requires a corresponding entry to record funds collected in proprietary accounts.

★0708 U.S. GOVERNMENT STANDARD GENERAL ACCOUNTS. A listing of the approved USGSGL accounts for use within the Department is at Addendum 1. A description of the accounts is at Addendum 2.

BUDGETARY AND PROPRIETARY ACCOUNTING RELATIONSHIPS

Appropriations

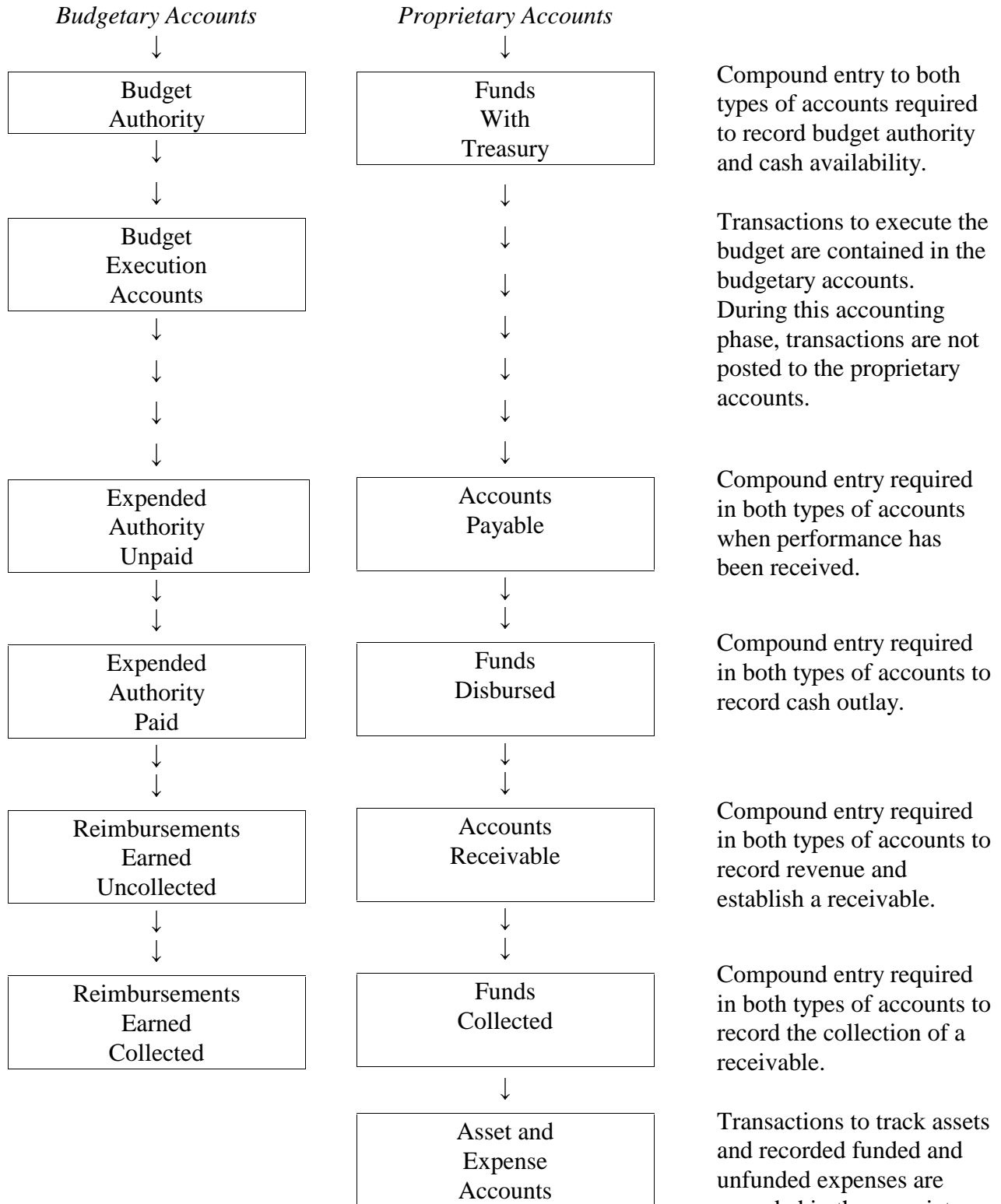


Figure 7-1