

**VOLUME 4, CHAPTER 2, ANNEX 1: “SUPPORTING FUND BALANCE WITH
TREASURY BALANCES BROUGHT FORWARD”**

SUMMARY OF MAJOR CHANGES

All changes are denoted by **blue font**.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

This is the initial publication.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Added annex to describe approach to address Fund Balance with Treasury beginning balances.	Addition

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*ANNEX 1

SUPPORTING FUND BALANCE WITH TREASURY BALANCES BROUGHT FORWARD

A01 GENERAL

After complying with the Fund Balance with Treasury (FBWT) reconciliation requirements described in Chapter 2, including fully reconciling accounting systems to the Treasury monthly and implementing a process to identify, track, and resolve differences on a monthly basis, Components must follow this annex to reconcile and support FBWT balances brought forward (i.e., beginning balances). The approach described in this annex and the resulting permanent adjustment may be used only once. This annex identifies the Components as having the responsibility to follow the approach. However, the Defense Finance and Accounting Service (DFAS), as the Component's accounting Service Provider, will perform the steps described on behalf of the Components (DFAS' customers), unless the customer elects to perform the analysis.

A02 APPROACH TO SUPPORT FBWT BALANCES BROUGHT FORWARD

All Components must follow Steps 1 through 4 described in this section. Those Components that can reconcile FBWT at the voucher-level and maintain related supporting documentation to support 99 percent of its Treasury's Government-wide Accounting (GWA) system account statement balances brought forward do not proceed past Step 4. Those Components who are unable to fully reconcile and/or support its FBWT transaction level detail to obtain 99 percent coverage must complete Steps 5 through 8.

A0201. Step 1

Perform aging analysis.

A. Per the Financial Improvement and Audit Readiness (FIAR) Directorate **FIAR Guidance**, Components must perform an aging analysis over the total value of its open appropriations (i.e., unexpired and expired appropriations) as of September 30, 2014, and each fiscal year end thereafter until they can demonstrate that they comply with FBWT reconciliation requirements described in Chapter 2 (see paragraph 010202). This will enable the Component to identify the number of prior fiscal years (FYs) it will need to perform monthly FBWT reconciliations at the voucher-level and provide supporting documentation for to support 99 percent of its FBWT balances brought forward.

B. Components must obtain the net detailed activity (authority, transfers, gross disbursements, and offsetting collections) of all open appropriations with balances in the FBWT account for the fiscal years of initial appropriation from the GWA system account statements and summarize the information into the following table. Note that no-year (or "X-year") appropriations must be identified separately from the single- and multi-year appropriations for each FY.

Table 1. FBWT Aging Analysis Template

Initial Appropriation Fiscal Year	Balance @ 9/30/2014 of Open Appropriations	% of Total Appropriations Balance
2014		
2013		
2012		
2011		
2010		
2009		
2008		
2007		
2006		
2005		
No-Year		
Total		100.0%

C. Components executing Treasury Index (TI) 097 funds will not be able to obtain the detailed activity information at the Organization Unique Identifier Code (OUID, that is, limit) level from the GWA system account statements, since they are at the Treasury Account Symbol (TAS or appropriation) level. Instead, those Components, with support from DFAS, must obtain that detailed activity information from the Defense Departmental Reporting System-Budgetary to perform the aging analysis. DFAS will perform a DoD-wide consolidated aging analysis at the TAS level using the GWA system account statement for TI 097 funds.

D. Once Components have performed the aging analysis and summarized their open appropriations, they need to determine how many years of performing monthly FBWT reconciliations and providing supporting documentation are necessary to support at least 99 percent of their FBWT balances brought forward.

E. If no-year appropriations need to be included to reach the 99 percent coverage of the Component's total open appropriations, then Components need to assume a requirement to provide five years of historical supporting documentation for that portion.

F. As a notional example, a completed aging analysis and summary of open appropriations is found in the following table.

Table 2. Notional Example of Completed Aging Analysis

Initial Appropriation Fiscal Year	Balance @ 9/30/2014 of Open Appropriations	% of Total Appropriations Balance
2014	\$100,000,000,000	67%
2013	\$30,500,000,000	20%
2012	\$7,200,000,000	5%
2011	\$2,600,000,000	2%
2010	\$3,000,000,000	2%
2009	\$2,050,000,000	1%
2008	\$130,000,000	0%
2007	\$16,000,000	0%
2006	\$4,000,000	0%
2005	\$0	0%
No-Year	\$4,500,000,000	3%
Total	\$150,000,000,000	100.0%

G. To obtain coverage over at least 99 percent of its FBWT balances brought forward, the Component would need to perform monthly FBWT reconciliations and provide supporting documentation going back to FY 2010 for all activity, regardless of the initial appropriation year. The Component would also need to provide five years of historical supporting documentation for the no-year appropriations since that is necessary to obtain 99 percent coverage.

A0202. Step 2

Adhere to FBWT reconciliation requirements in Chapter 2.

A. Components and DFAS must comply with the FBWT reconciliation requirements defined in Chapter 2 before proceeding with the additional steps in this annex. This includes performing monthly FBWT reconciliations at the voucher-level; identifying, aging, and resolving any reconciling differences; and supporting the voucher-level detail with documentation.

B. Components and DFAS must ensure they have a process in place to address each of these critical areas to address FBWT risks, as shown in Figure 1.

A0203. Step 3

Identify initial audit period, and perform monthly FBWT reconciliations and test supporting documentation for prior fiscal years.

A. Components must identify the year they first plan to undergo a financial statement audit, and count back from that date using the number of years identified in the aging analysis in Step 1. This allows Components to determine their period start date to establish auditable beginning balances for FBWT.

B. Components and DFAS must perform monthly FBWT reconciliations at the voucher-level beginning with the date they have reached full compliance with Chapter 2, and work back progressively through each fiscal year needed to obtain 99 percent coverage of its FBWT balances brought forward.

C. See Chapter 2 for details on what must be included in the monthly reconciliations.

D. After completing monthly FBWT reconciliations at the transaction level, Components and DFAS must then perform discovery testing of appropriations, transfers, disbursements, collections and adjustments (including journal vouchers) to the FBWT accounts, working back progressively through each fiscal year needed to support the FBWT brought forward balance to verify their ability to provide supporting documentation.

E. Supporting documentation must include, at a high level, third party documentation, system reports, Treasury documentation, and reconciliations. Specific examples of supporting documentation that may be available to support FBWT balances brought forward are presented in the Fund Balance with Treasury and Balances Brought Forward sub-sections of Section 5 of the FIAR Guidance.

F. Supporting documentation must exist in support of all open FBWT account balances back to the year of initial appropriation. For audit readiness purposes, Components are only required to demonstrate 99 percent coverage of beginning balances.

G. For the notional example presented in Step 1, the Component and DFAS would be expected to perform monthly FBWT reconciliations at the transaction level and testing of transaction level detail for FYs 2014 through 2010.

A0204. Step 4

Assess ability to perform monthly FBWT reconciliations and provide supporting documentation to obtain 99 percent coverage of FBWT balances brought forward.

A. After Components and DFAS are able to perform monthly FBWT reconciliations at the transaction level and provide supporting documentation for all prior fiscal years to obtain 99 percent coverage of its FBWT balances brought forward, then they must continue to adhere to the FBWT requirements described in Chapter 2.

B. If Components and DFAS determine they have reached the point where they are unable to perform monthly FBWT reconciliations at the transaction level or provide supporting documentation, or it is not cost effective to do so, for all years and accounts required to obtain 99 percent coverage, they will need to proceed with the next steps in the approach.

A0205. Step 5

Perform gap analysis.

Components and DFAS must perform a gap analysis to identify the portions of FBWT balances brought forward, by appropriation year, which they are unable to support. An example of how Components and DFAS may report on their gap analyses is depicted in the following table.

Table 3. Notional Example of Completed Gap Analysis

Initial Appropriation Fiscal Year	Balance @ 9/30/2014 of Open Appropriations	Unsupportable Balance \$	Unsupportable Balance %
2014	\$100,000,000,000	\$4,500,000,000	4.50%
2013	\$30,500,000,000	\$1,000,000,000	3.28%
2012	\$7,200,000,000	\$200,000,000	2.78%
2011	\$2,600,000,000	\$0	0.00%
2010	\$3,000,000,000	\$1,000,000	0.03%
2009	\$2,050,000,000	N/A	N/A
2008	\$130,000,000	N/A	N/A
2007	\$16,000,000	N/A	N/A
2006	\$4,000,000	N/A	N/A
2005	\$0	N/A	N/A
No-Year	\$4,500,000,000	N/A	N/A
Total	\$150,000,000,000	\$5,701,000,000	3.80%

A0206. Step 6

Prepare package to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) FIAR to seek approval and justify need for posting a permanent adjustment to balance to Treasury.

A. Once Components and DFAS have determined the total amount of their unsupportable FBWT balances brought forward, they will need to prepare a package to submit to OUSD(C) FIAR to seek approval and justify the need for posting a permanent adjustment in the Component's accounting system(s) to correct the FBWT balances brought forward amount and balance to Treasury.

B. The package must include the following to demonstrate that Components and DFAS have followed the approach described in Steps 1 through 5, and have exhausted measures to support their FBWT balances brought forward:

1. Aging analysis of open appropriation balances by appropriation fiscal years from Step 1.

2. Determination of the appropriation fiscal years that Components intend to seek support for in order to gain coverage over 99% of their FBWT balances brought forward.
3. Results of monthly transaction level FBWT reconciliations performed in Step 3.
4. Results of transaction level detail testing performed in Step 3.
5. Balances identified as unsupported and proposed adjusting journal vouchers from Step 5.
6. Description of process and controls in place that demonstrate compliance with Chapter 2.

A0207. Step 7

Post permanent adjustment in accounting system.

A. After obtaining OUSD(C) FIAR's approval, the Components and DFAS must post a permanent adjustment in the Components' accounting system(s) to adjust for unreconciled differences with the Treasury. This permanent adjustment must bring the unsupported balance to zero.

B. The Components and DFAS must ensure all negative unliquidated obligations and unmatched disbursements are resolved and in-transits are accounted for before posting the adjustment. See Volume 3, Chapter 11 for additional details.

C. The journal entry for this adjustment follows U.S. Government Standard General Ledger (USSGL) – A *Treasury Financial Manual Supplement* accounts transactions B102 (Budgetary only), D304, and D306 (Proprietary only). The example assumes that the balance in the accounting system is greater than what Treasury has reported. If the accounting system balance is less than what Treasury has reported, reverse the journal entry.

Budgetary Entry

DR 465000 Allotments – Expired Authority (or use 461000 if Unexpired Authority)
CR 490200 Delivered Orders – Obligations, Paid

Proprietary Entry

DR 310500 Unexpended Appropriations – Prior Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year
DR 740500 Prior Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year
CR 101000 Fund Balance with Treasury
CR 570500 Expended Appropriations - Prior Period Adjustments Due to Corrections of Errors - Years Preceding the Prior Year

D. No guidance in this chapter must be construed as authorizing a delay in (1) the recording of an executed obligation or (2) the requirement to conduct an investigation of a potential violation of the Antideficiency Act that results from any action other than the sole requirement to post this adjustment.

A0208. Step 8

Adhere to FBWT reconciliation requirements in Chapter 2.

A. The Components and DFAS must continue to adhere to the FBWT requirements described in Chapter 2.

B. If reconciling items are identified during the monthly FBWT reconciliations (subsequent to recording the adjustment in step 7) that relate to appropriations and fiscal years included in the adjustment made in Step 7, then the Components and DFAS must notify OUSD(C) FIAR and post a journal entry to offset the adjustment made in Step 7.

Budgetary Entry

DR 490200 Delivered Orders – Obligations, Paid

CR 465000 Allotments – Expired Authority (or use 461000 if Unexpired Authority)

Proprietary Entry

DR 101000 Fund Balance with Treasury

DR 570500 Expended Appropriations - Prior Period Adjustments Due to Corrections of Errors - Years Preceding the Prior Year

CR 310500 Unexpended Appropriations – Prior Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year

CR 740500 Prior Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year

C. Components and DFAS must ensure they have a process in plan to address each of these critical areas to address FBWT risks, as shown in Figure 1.