



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-1 100

September 22, 2022

MEMORANDUM FOR ASSISTANT SECRETARIES OF THE MILITARY DEPARTMENTS
(FINANCIAL MANAGEMENT AND COMPTROLLER)
DEFENSE AGENCY AND DOD FIELD ACTIVITY DIRECTORS

SUBJECT: Treasury Index 97 Deposit Fund Liabilities Account Structure (FPM 22-04)

- References: (a) Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) memorandum, "Reporting Department of Defense Deposit Fund Liabilities (FPM 20-10)," July 2, 2020¹
- (b) OUSD(C) memorandum, "Process for Reporting Department of Defense Payroll Withholding," June 30, 2020²
- (c) Office of Management and Budget (OMB) Bulletin No. 22-01, "Audit Requirements for Federal Financial Statements, August 26, 2022, or successor issuance³

This memorandum modifies Department of Defense (DoD) policy for reporting deposit fund liabilities previously issued in references (a) and (b), specifically in relation to the Office of the Secretary of Defense (OSD) Treasury Index 97 (TI-97) Component reporting entities.

DoD will collaborate with the U.S. Department of the Treasury (Treasury) to establish deposit accounts to track, reconcile, and report activity on the standalone financial statements of TI-97 Components when the activity meets Treasury criteria for establishment of a deposit fund, and all of the following:

- The activity is related to a DoD Component that must prepare standalone financial statements as required by reference (c) (issued annually) or as otherwise required by statute, and
- The collection and disbursement activity is supported by a unique statutory authorization for the TI-97 Component, and
- The activity is material (as determined by the Component's management assessment) to the standalone financial statements of the TI-97 Component reporting entity.

Deposit fund activity that does not meet the preceding criteria will be tracked, reconciled, and reported in the OSD TI-97 consolidated deposit fund accounts, which are reported under the reporting entity DoD Component Level Accounts and audited as part of the DoD consolidated audit performed by the DoD Office of Inspector General (OIG).

In the event deposit fund activity for a TI-97 Component is neither OMB nor otherwise statutorily required to report, but the Component identifies the need for a standalone deposit account, the OUSD(C) and Defense Finance and Accounting Service (DFAS) will collaborate

¹ On the Policy Memoranda page at <https://comptroller.defense.gov/FMR/policymemos.aspx>

² https://guidanceweb.ousdc.osd.mil/documents/current/ODCFO/afp/DoD_Payroll_Wthld.pdf

³ <https://www.whitehouse.gov/omb/information-for-agencies/bulletins/>

with the OIG and Treasury to identify the proper solution. Detailed information and procedures are provided in the attachment.

This policy for deposit funds will be incorporated into the next update of the DoD Financial Management Regulation, Volume 4, Chapter 2; and Volume 12, Chapter 1. My point of contact for this matter is Ms. Charlotte Beacham, at (703) 541-8914 or charlotte.d.beacham.civ@mail.mil. The DFAS point of contact is Mr. Paul McDonald, at paul.m.mcdonald31.civ@mail.mil.

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Thomas C. Steffens
Deputy Chief Financial Officer

Attachment:
As stated



DOD POLICY

The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) memorandum, “Reporting Department of Defense Deposit Fund Liabilities (FPM 20-10),” issued July 2, 2020, formalized the DoD policy for reporting deposit fund liabilities across the Department. The policy established that deposit fund liabilities would be reported on the financial statements that correspond to the U.S. Department of the Treasury (Treasury) Component (i.e., Treasury Index) that holds the funds per the Federal Account Symbols and Titles Book. This corresponds to the Navy General Fund, Army General Fund, Air Force General Fund, and Office of the Secretary of Defense (OSD) Component Level Accounts for Treasury Index (TI) 17, TI-21, TI-57, and TI-97, respectively.

There is no specific generally accepted accounting principle (GAAP), regulatory, or statutory requirement for the DoD to create a further delineation of an individual TI’s deposit funds. However, in order to facilitate the Department’s auditability goals and promote as much transparency for the users of the financial statements as is reasonably possible when considering the cost/benefit to the taxpayer, the Department will create unique deposit fund accounts under the TI-97 entity as outlined in this amendment to the original policy issued in FPM 20-10.

DoD will collaborate with the Treasury to establish unique deposit accounts to track, reconcile, and report deposit fund activity on the standalone financial statements of TI-97 Components when the activity meets the classification of a deposit fund and all of the following criteria:

1. The activity is related to a DoD Component that must prepare standalone financial statements as required by the list provided in the annual Office of Management and Budget (OMB) Audit Requirements for Federal Financial Statements Bulletin, or as required by statute (i.e., U.S. Code, National Defense Authorization Acts, and other legislation).

Rationale: The complexity of the TI-97 reporting structure results in the preparation of numerous sets of standalone financial statements that facilitate the audit and internal management of funds but are not all required, and thus are not submitted separately for external reporting to OMB, Congress, or other authoritative bodies.

2. The activity is supported by unique statutory authorization for the TI-97 Component reporting entity.

Rationale: Treasury calls for the creation of separate deposit fund accounts for individual statutory authorities or programs. Treasury does not separately track or issue guidance for individual TI-97 reporting entities, as all TI-97 entities roll up to the OSD Treasury Component. Not all of the authorities that support deposit fund activity are unique to a specific TI-97 Component and thus a unique deposit account will not be created.

3. The activity is material (as determined by the Component’s management assessment) to the standalone financial statements of the TI-97 Component reporting entity.



Rationale: The Department will not expend taxpayer resources to further delineate TI-97 deposit fund activity when there is no material impact to the resulting financial statements, which is consistent with GAAP regarding implementing the provisions of accounting standards for immaterial items.

For deposit fund activity that does not meet this criteria, DoD will track, reconcile, and report deposit fund activity in the shared OSD level deposit accounts that are reported under the reporting entity DoD Component Level Accounts and consolidated into the DoD-wide Consolidated Financial Statements. These shared deposit accounts will not be part of any standalone TI-97 Component audit, but rather will be part of the DoD Consolidated Audit.

In the event deposit fund activity for a TI-97 Component does not meet the criteria specified in items 1-3, and a need for standalone deposit account is identified by the Component, the OUSD(C) and Defense Finance and Accounting Service (DFAS) will collaborate with Treasury and the DoD Office of Inspector General to identify the proper solution.

When a new, unique deposit account is confirmed to be appropriate in accordance with the policies described herein, OUSD(C) and DFAS will request that Treasury create the account. Upon creation of the account, the following actions must be taken:

- Where the deposit fund activity was previously recorded in a shared OSD level deposit fund account, the TI-97 Component will transfer all remaining transaction balances from the OSD level account to the new deposit fund account as soon as possible (i.e., remaining collections for which a corresponding disbursement has not occurred, as supported by the TI-97 Component's detailed records and supporting documentation). Once a balance is established in the new account, the TI-97 Component will begin transacting all related activity in the new account and will report the deposit fund activity and balances on in its standalone financial statements. The TI-97 Component will follow applicable existing accounting standards and DoD policy when assessing whether a restatement of prior year financial statements or prior period adjustment is necessary.
- Where the deposit fund activity represents new business (activity was not previously recorded in a shared OSD level deposit account), the TI-97 Component will begin transacting all related activity in the new account and will report the deposit fund activity and balances in its standalone financial statements.

The OUSD(C) memorandum, "Process for Reporting Department of Defense Payroll Withholding," issued June 30, 2020, established that all military service payroll activity in deposit funds would flow through the deposit funds of the corresponding Military Department and thus be reported on the financial statements of that Military Department. Additionally, all civilian payroll activity in deposit funds would flow through the TI-97 deposit fund accounts and be reported under the reporting entity DoD Component Level Accounts.

For the purposes of this policy, payroll related deposit fund activity is not considered to be supported by unique statutory authorization for any individual TI-97 Component and thus DoD will not create unique payroll related deposit accounts for individual TI-97 Components. DoD



will continue to track, reconcile, and report civilian payroll related deposit fund activity under the shared deposit accounts, and report the activity under the reporting entity DoD Component Level Accounts.

The Department's policy for TI-97 reporting entities maximizes transparency for the users of the Department's financial statements, and mitigates the burden of navigating unnecessary complexity for the rest of the Federal Government and the users of Government-wide information.

AUTHORITATIVE GUIDANCE

- OMB Bulletin No. 22-01, "Audit Requirements for Federal Financial Statements," August 26, 2022
- Treasury, Treasury Financial Manual supplement, "Federal Account Symbols and Titles (FAST) Book," May 2022
- OUSD(C) memorandum, "Reporting Department of Defense Deposit Fund Liabilities (FPM 20-10)," July 2, 2020
- OUSD(C) memorandum, "Process for Reporting Department of Defense Payroll Withholding," June 30, 2020



DOD POLICY

The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) memorandum, “Reporting Department of Defense Deposit Fund Liabilities (FPM 20-10),” issued July 2, 2020, formalized the DoD policy for reporting deposit fund liabilities across the Department. The policy established that deposit fund liabilities would be reported on the financial statements that correspond to the U.S. Department of the Treasury (Treasury) Component (i.e., Treasury Index) that holds the funds per the Federal Account Symbols and Titles Book. This corresponds to the Navy General Fund, Army General Fund, Air Force General Fund, and Office of the Secretary of Defense (OSD) Component Level Accounts for Treasury Index (TI) 17, TI-21, TI-57, and TI-97, respectively.

There is no specific generally accepted accounting principle (GAAP), regulatory, or statutory requirement for the DoD to create a further delineation of an individual TI’s deposit funds. However, in order to facilitate the Department’s auditability goals and promote as much transparency for the users of the financial statements as is reasonably possible when considering the cost/benefit to the taxpayer, the Department will create unique deposit fund accounts under the TI-97 entity as outlined in this amendment to the original policy issued in FPM 20-10.

DoD will collaborate with the Treasury to establish unique deposit accounts to track, reconcile, and report deposit fund activity on the standalone financial statements of TI-97 Components when the activity meets the classification of a deposit fund and all of the following criteria:

1. The activity is related to a DoD Component that must prepare standalone financial statements as required by the list provided in the annual Office of Management and Budget (OMB) Audit Requirements for Federal Financial Statements Bulletin, or as required by statute (i.e., U.S. Code, National Defense Authorization Acts, and other legislation).

Rationale: The complexity of the TI-97 reporting structure results in the preparation of numerous sets of standalone financial statements that facilitate the audit and internal management of funds but are not all required, and thus are not submitted separately for external reporting to OMB, Congress, or other authoritative bodies.

2. The activity is supported by unique statutory authorization for the TI-97 Component reporting entity.

Rationale: Treasury calls for the creation of separate deposit fund accounts for individual statutory authorities or programs. Treasury does not separately track or issue guidance for individual TI-97 reporting entities, as all TI-97 entities roll up to the OSD Treasury Component. Not all of the authorities that support deposit fund activity are unique to a specific TI-97 Component and thus a unique deposit account will not be created.

3. The activity is material (as determined by the Component’s management assessment) to the standalone financial statements of the TI-97 Component reporting entity.



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For deposit fund activity that does not meet this criteria, DoD will track, reconcile, and report deposit fund activity in the shared OSD level deposit accounts that are reported under the reporting entity DoD Component Level Accounts and consolidated into the DoD-wide Consolidated Financial Statements. These shared deposit accounts will not be part of any standalone TI-97 Component audit, but rather will be part of the DoD Consolidated Audit.

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