



OFFICE OF THE UNDER SECRETARY OF DEFENSE

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COMPTROLLER

June 27, 2024

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

SUBJECT: DoD Accounting for Funds Held Outside of Treasury Guidance (FPM24-10)

References: (a) DoD 7000.14-R, Department of Defense Financial Management Regulation (DoD FMR), Volume 5, Chapter 1, July 2023
(b) Treasury Financial Manual, 2-3400 "Accounting For and Reporting on Cash and Investments Held Outside of the U.S. Treasury"

This memorandum provides guidance on the initial implementation for accounting for DoD FHOT, in response to the attached Department of the Treasury memorandum. To ensure proper accountability, reporting, and auditability over FHOT, the DoD will post FHOT transactions to a DoD Treasury Appropriation Fund Symbol (TAFS).

Implementation will occur in three structured phases to ensure a smooth transition and maintain the integrity and accountability of DoD financial management practices. A detailed walkthrough with all impacted Components will occur prior to implementation to facilitate proper transition. The three phases are:

Phase I: Monthly Central Accounting Reporting System reporters will record the DoD FHOT to a TAFS by adjusting entries;

Phase II: Establish and maintain proper FHOT accounting for all monthly reporters; and

Phase III: Establish and maintain proper FHOT accounting for all daily reporters.

The DoD will initiate Phase I and Phase II by using DoD expired unobligated Operation & Maintenance balances to temporarily hold the FHOT cash. Using proper funds control, these balances must be evaluated monthly. In sum, new FHOT procedures will leverage pre-existing DoD funds control operations that Components are already using. Disbursing Officer roles and responsibilities regarding funds control, pecuniary liability, and other specific considerations will remain per references (a) and (b).

Implementation guidance and timing are forthcoming, and DoD FMR updates will provide details for all phases. My point of contact is Mr. Selester (Cope) Copeland, at 202-422-2657 or selester.e.copeland.civ@mail.mil.

Thomas C. Steffens
Deputy Chief Financial Officer

Attachment:
As stated

Attachment



DEPARTMENT OF THE TREASURY
BUREAU OF THE FISCAL SERVICE
WASHINGTON, DC 20227

November 2, 2023

TO: Mr. Thomas C. (Tom) Steffens
Deputy Chief Financial Office (DCFO)
Office of the Under Secretary of Defense (OUSD)

FROM: Sandra R. Paylor, Assistant Commissioner (Fiscal Accounting)

SUBJECT: Accounting for Funds Held Outside of Treasury (FHOT)

The Department of Defense (DoD) currently withdraws cash from the Treasury General Account (TGA) and accounts for that cash while holding it outside of the U.S. Treasury under Treasury/GAO Joint Regulation No. 4 (approved September 12, 1950,¹ revised in 1953,² and made applicable to DoD in 1955³). Accordingly, DoD does not reduce the corresponding Fund Balance with Treasury (FBwT) for its Treasury Appropriation Fund Symbol (TAFS) until making disbursements. This joint guidance is obsolete.

The TGA is the central bank account of the federal government that is used to hold collections and pay obligations. The mechanism used to control an agency's ability to spend funds out of the TGA is through the accounting of each agency's FBwT. Hence, the General Fund (GF) of the U.S. Treasury records a liability for all FBwT amounts. When DoD does not reduce its FBwT at the time of cash withdrawal, the government-wide cash balance in the GF is inaccurate causing cash management and audit issues.

To correct this situation, DoD should adhere to the appropriate guidance in the Treasury Financial Manual (TFM)⁴ by recording cash withdrawn from the TGA to a DoD appropriation TAFS at the time of withdrawal, instead of at the time a payment is made, to properly account for its budgetary resources.

¹ *Modification of Warrant Procedures & Elimination of Certain Checking Accounts*, 34 Comp. Gen. 815 (September 12, 1950), Treasury/GAO Joint Regulation No. 4 -- Revised under Public Law 784.

² *Modification of Warrant Procedures*, 32 Comp. Gen. 634 (June 30, 1953), Treasury/GAO Joint Regulation No. 4.

³ Per DoD, in April 1955, Regulation 4 was revised to make it applicable to DoD Disbursing Officers. See, *DoD OIG memorandum for Deputy Inspector General for Auditing, Discussion Draft of a Proposed Report on Internal Controls Over DoD Cash and Other Monetary Assets (Project No. D2007-D000FP-0174.000) (April 28, 2008)*, from Roger F. Pitkin Acting Deputy General Counsel (Fiscal) and authored by John F. Ruoff, Associate Deputy General Office of the Deputy General Counsel (Fiscal) at p. 3.

⁴ The TFM provides instructions on the procedures for agencies to follow when advancing and disbursing funds, and the parameters for holding and reporting on FHOT, which are briefly summarized below:

- I TFM 2-4700, Agency Reporting Requirements for the Financial Report of the United States Government.
- I TFM 2-3400, Accounting For and Reporting on CIHO.
- I TFM 4A-Chapter 2000, Overall Disbursing Rules for All Federal Entities.
- I TFM 4A-2050.20, Cash Advances – Establishing Procedures for Cash Advances.
- I TFM 4A-Chapter 3000, Requirements For Scheduling Payments Disbursed By The Bureau Of The Fiscal Service.

A joint working group was established to implement Treasury's requirements in a manner that would support DoD's operations with the least possible impact to its existing systems and processes. While Treasury recognizes that following the accepted accounting policy by attributing a cash withdraw to a DoD TAFS at the time of withdraw may require a later true-up or correction, there is an existing, simple way to make correcting entries. The working group created an accounting scenario to carry out a true-up solution that is compliant with the TFM while simultaneously addressing DoD's cash operational needs.

Our legal counterparts have not identified any impediments. The Fiscal Service's Office of Chief Counsel (OCC) responded to the Defense Finance and Accounting Service (DFAS) concerns by sharing, on September 25, 2023, a draft OCC legal memorandum with Mr. Benjamin B. Hamlow, Deputy General Counsel, Accounting & Commercial Law, DFAS. Initially, DFAS expressed concerns that the TFM contravened DoD's 2008 legal guidance.⁵ However, in a September 27, 2023, call, Mr. "Jack" John Ruoff, the author of the guidance, explained that the discrete purpose of the 2008 correspondence was to respond to the contentions in the DoD IG report. He emphasized that the analysis should not be read as providing a basis for DoD to stay the course, given that Treasury sets central accounting policy.

We appreciate the collaborative support that we have received from DoD and DFAS personnel in evaluating the central accounting transactions. Given that DoD has followed prior, inconsistent guidance for many years, Treasury will continue to assist DoD in transitioning its current processes and procedures with the aim of DoD implementing the accounting and reporting of FHOT changes by January 1, 2024.

• I TFM 4A-Chapter 4000, Requirements For Non-Treasury Disbursing Officers (NTDOs).

⁵ *Supra*, n. 3.