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January 27, 2025

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

SUBJECT: Department of Defense Accounting for Funds Held Outside of Treasury  
Implementation Guidance FPM25-01

- Reference: (a) Deputy Chief Financial Officer Memorandum, "DoD Accounting for Funds Held Outside of Treasury Guidance," June 27, 2024  
(b) Department of the Treasury Memorandum, "Accounting for Funds Held Outside of Treasury (FHOT)," November 2, 2023  
(c) Treasury Financial Manual, 2-3400 "Accounting For and Reporting On Cash and Investments Held Outside Of The U.S. Treasury"  
(d) Department of Defense 7000.14-R, "Department of Defense Financial Management Regulation" (DoD FMR), Volume 5, Chapter 1, July 2023

This memorandum supersedes reference (a) and establishes new procedures for reporting funds held outside of the U.S. Treasury, also known as cash and investments held outside of the Treasury. The attached FHOT Implementation Guidance outlines a three-phase approach to ensure a seamless transition, uphold the integrity and accountability of the DoD financial management practices, and ensure compliance with references (b) and (c).

To support a successful transition, a comprehensive walkthrough will be conducted with all impacted Components for each phase of the implementation. Additionally, reference (d) will be revised as necessary to reflect the FHOT implementation.

I appreciate your cooperation and support in implementing these changes to improve the efficiency and effectiveness of our financial management practices. For any questions or concerns regarding this guidance, please contact Mr. Selester (Cope) Copeland at 202-422-2657 or selester.e.copeland.civ@mail.mil.

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Assistant Commissioner (Fiscal Accounting), Bureau of the Fiscal Service, Department of the Treasury

# Funds Held Outside of Treasury Implementation Guidance

January 2025

The Department of Defense (DoD) is implementing new procedures for reporting Funds Held Outside of Treasury (FHOT), also known as Cash and Investments Held Outside Treasury. This guidance applies to both monthly and daily reporters to Treasury's Central Accounting Reporting System (CARS).

## Definition

FHOT refers to physical cash held by a DoD Disbursing Officer (DO), Deputy DO, or paying agent in a vault or in a Limited Depository Account under the responsibility of the DO. DoD requires cash in domestic or foreign currency for essential operations and contingency missions when electronic funds transfer methods are inappropriate or not available. The DoD DOs are accountable to the U.S. Department of the Treasury (Treasury) for all daily and monthly reported FHOT transactions.

## Objectives

The new FHOT reporting procedures aim to:

- **Ensure Compliance:** Comply with the Treasury Financial Manual (TFM), ensuring all reporting practices are up to date with Federal requirements;
- **Remedy Audit Findings:** Address deficiencies identified in previous audits and reviews, ensuring adherence to financial management standards; and
- **Address Reporting Challenges:** Enhance accuracy and efficiency in reporting.

## General Guidelines

- **Recording Cash:** The DoD Components will record all cash drawn on the Treasury General Account (TGA) to a DoD Treasury Appropriation Fund Symbol (TAFS).
- **Temporary Cash Holding:** There are no restrictions for the DoD Components to temporarily hold cash using any DoD TAFS, current or expired, except those that are specifically stated in the TFM such as deposit funds. Once the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Deputy Comptroller (Program/Budget) (P/B), and the Treasury Bureau of the Fiscal Service (FS), Budget and Appropriation Analysis Section (BAAS) approve the Business Event Type Code (BETC) Request Form (FS Form 000112) to add the FHOT BETC to a specific TAFS, this is the final level of authority needed to process transactions in CARS.
- **Business Event Type Code (BETC) and Sub-Class Code:** The BETC and Sub-Class code (as applicable) must be used to post FHOT balances in CARS on DoD TAFS per the TFM. Financial Reference Data in Treasury's Shared Accounting Module provides BETC and Sub-

Class listing.

- **Initial Requests:** The OUSD(C) Financial Management and Policy Reporting Directorate will coordinate and submit the initial DoD-wide BETC request forms to OUSD(C) P/B. OUSD(C) P/B will review, approve, and send those forms to Treasury BAAS for final approval and processing.
- **Burden Sharing Funds:** Burden Sharing funds held outside of Treasury will be reported with the FHOT BETC on the Burden Sharing Special Receipt Account 097X5441.
- **Custodial Relationship:** FHOT will not be kept under a custodial relationship with the Department of the Treasury.
- **Balance Sheet Reporting:** FHOT will be reported as a DoD entity asset on the balance sheet line item “Cash and Other Monetary Assets.”
- **Updated Transaction Code:** TFM USSGL Transaction Code B150 has been updated to be used beginning with fiscal year (FY) 2025 reporting and should be used for FHOT financial reporting.
- **DoD FMR Updates:** All pertinent changes to the DoD Financial Management Regulation (FMR) 7000.14-R will be made as non-discretionary updates accordingly to ensure alignment to the Treasury memorandum, TFM, and other associated authoritative guidance. These requirements will be incorporated into the next update of the DoD FMR under Volumes 4, 5, 6A, 6B, 12, and 14, as they pertain to FHOT.

### Overall DoD Roles and Responsibilities

- **OUSD(C) Office of the Deputy Chief Financial Officer:** OUSD(C) Office of the Deputy Chief Financial Officer will provide overall financial reporting compliance guidelines and act as a communication liaison with Treasury and OMB.
- **OUSD(C) P/B:** OUSD(C) P/B will provide budget-related guidance (where applicable) and will sign all BETC request forms to send to the Treasury BAAS for final approval.

### Reporting Entity Roles and Responsibilities

DoD Components have specific responsibilities in working with their DOs, accounting offices, and other stakeholders for proper FHOT reporting.

- **Oversight and Monitoring:** The Components are responsible for the overall oversight and monitoring of FHOT. Each Component will confirm the TAFS to be used for FHOT as deemed appropriate per the source document, the Cash Holding Authority memorandum(s), and provide this information to its appropriate accounting point of contact.

- **Component DOs:**
  - FHOT reporting or assigning cash to a DOD TAFS in any manner does not impact DO accountability.
  - Component DOs pay for products or services with cash based on previously certified vouchers.
  - Component DOs will continue to use all existing funds control processes.
  - Components will internally adjudicate losses of funds and pecuniary liability per applicable authoritative guidance.
- **Coordination of BETC with OUSD(C):** The Components will coordinate with OUSD(C) P/B to set up the FHOT BETC on specific TAFS by using FS Form 000112. P/B will then send the BETC request to the Treasury BAAS. This can be done at any point during the FHOT balance evaluation each month for proper reporting and will ensure the FHOT BETC is available for use.
- **Reporting Compliance:** The Component will ensure DOs are accountable for FHOT and report transactions in accordance with TFM Volume I, Chapter 3400, “Accounting For and Reporting On Cash and Investments Held Outside Of The U.S. Treasury.”
- **Service Provider:** The Components will establish service provider roles and responsibilities, as applicable, depending on the FHOT reporting actions. These roles and responsibilities must be further incorporated into the component-level Standard Operating Procedures (SOPs) as each Component may utilize their service provider(s) differently.
- **Accountability Symbols:** The below Treasury Account Symbols (TAS) will no longer be used for FHOT accountability financial reporting. All DoD systems using the below TAS associated with FHOT should have system changes prioritized to be deployed into production by Q2 FY 2026 to remove their usage.
  - 017 X 6950 Disbursing Officer Cash, Department of Navy
  - 021 X 6951 Disbursing Officer Cash, Department of Army
  - 057 X 6952 Disbursing Officer Cash, Department of Air Force
  - 097 X 6953 Disbursing Officer Cash, Defense Agencies
  - 096 X 6954 Disbursing Officer Cash, Corps of Engineers, Civil

## Implementation Phases

The FHOT implementation will occur in three phases. Phase I will perform the initial adjusting entries for monthly reporters for all DoD Components by Q1 FY 2025. Phase II will establish and maintain proper FHOT accounting for all CARS monthly reporters by January FY 2025. Phase III will establish and maintain proper FHOT accounting for all full CARS daily reporters by Q3 FY 2025.

- **Phase I: Initial adjusting entry for monthly reporters (Completed by Q1 FY 2025)**
  - The Components will adjust and report FHOT to a DoD TAFS for each individual agency. To initially adjust for the FHOT beginning balance to a DoD TAFS, it is recommended the Components leverage the unobligated, expired Operations and Maintenance balances to temporarily hold cash. The DoD Components will assess their cash balances and determine the appropriate TAFS to temporarily hold cash. The DOs will continue to maintain all FHOT accountability procedures at the existing Agency Location Code (ALC) and/or Defense/Disbursing Station Symbol Number (DSSN).
  - The Components will develop their individual SOPs and Process Control Narratives (PCNs) containing detailed step-by-step processes to implement Phase I aligning Defense Departmental Reporting System (DDRS), CARS, and Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to remediate Edit #5 (Funds Held Outside of Treasury Business Line Balances) for monthly reporters.
  - Except for supplementary entries performed by Treasury's Cash Accounting Branch, monthly reporters will not be able to reclassify FHOT transactions during the reporting period. All FHOT posting for the reporting period must be completed by the sixth workday in the following month.
- **Phase II: Establish and maintain proper FHOT accounting for all CARS monthly reporters (Completed by January FY 2025)**
  - The Components will reverse the original adjusting entry from Phase I in the subsequent month's reporting period. Using the new reporting period accountability balances, Components will repeat the process to report all FHOT transactions to a DoD TAFS. DOs will continue to maintain all FHOT accountability procedures at the existing ALC and/or DSSN.
  - The Components will update their individual SOPs and PCNs containing step-by-step processes to continue aligning DDRS, CARS, and GTAS and remediate GTAS Edit #5 for all monthly reporters.
  - Except for supplementary entries performed by Treasury's Cash Accounting Branch, monthly reporters will not be able to reclassify FHOT transactions during the reporting period. All FHOT posting for the reporting period must be completed by the sixth workday in the following month.

- **Phase III: Establish and maintain proper FHOT accounting for all current daily full CARS reporters (Completed by Q3 FY 2025)**
  - To implement Phase III, the Components will establish daily reporting processes and controls to maintain alignment with the Payment Information Repository (PIR)-Standard Reporting Format (SRF), DDRS, CARS, and GTAS.
  - The Components will update their individual SOPs and PCNs containing step-by-step processes necessary to ensure the PIR SRF (NTDOs Only), DDRS, CARS, and GTAS are in alignment for all full CARS daily reporters and remediate GTAS Edit #5 for all daily reporters.
  - The current monthly reporting process does not include reporting FHOT using a BETC. Upon migration to daily reporting, all transactions must use a valid BETC, so this implementation will also remediate GTAS Edit #1 (Fund Balance with Treasury).
  - In the event of any changes to the accounting postings during the reporting period, all full reporting Components can leverage the CTA or other Treasury modules within CARS daily. All FHOT posting for the reporting period must be completed by the sixth workday in the following month.

For any questions or concerns regarding this guidance, please contact Mr. Selester (Cope) Copeland at 202-422-2657 or selester.e.copeland.civ@mail.mil.