



**FINANCIAL MANAGEMENT MODERNIZATION INITIATIVE (FMMI)  
ANNUAL CLOSE GUIDE  
FISCAL YEAR 2012**

**OFFICE OF THE CHIEF FINANCIAL OFFICER  
CONTROLLER OPERATIONS DIVISION**

**SEPTEMBER 13, 2012**



# Table of Contents

---

<b>1 Overview</b>	<b>1-1</b>
<b>2 Purpose of the FMFI Annual Close Guide</b>	<b>2-1</b>
<b>3 Functions and Responsibilities</b>	<b>3-1</b>
3.1 Agency Yearend Coordinator	3-1
3.2 Agency Budget Officer	3-1
3.3 Associate Chief Financial Officer for Financial Systems	3-2
3.4 Associate Chief Financial Officer for Financial Operations	3-2
<b>4 Basic Governmental and FMFI Elements</b>	<b>4-1</b>
4.1 Work Breakdown Structure (WBS)	4-1
4.2 Accounting Period	4-1
4.3 Anti-Deficiency Act (ADA)	4-2
4.4 Appropriations	4-3
4.5 Beginning Balance Entries	4-4
4.6 Budgetary Resources	4-4
4.7 Canceled Authority	4-4
4.8 Carryover Authority	4-5
4.9 Closing Entries	4-5
4.10 Downward Spending Adjustment	4-5
4.11 Expired Authority (Single and Multi-year)	4-5
4.12 Final Annual Close Process	4-6
4.13 Fiscal Year (FY)	4-6
4.14 General Journal (GENJ)	4-6
4.15 Recoveries	4-6
4.16 Treasury Symbol	4-7
4.17 Trial Balance Report	4-7
4.18 Upward Spending Adjustment	4-7

<b>5</b>	<b>Yearend Closing Plan</b>	<b>5-1</b>
5.1	Content and Schedule	5-1
5.2	Coordination	5-2
5.3	Task Definition	5-2
5.4	Communication	5-3
5.5	Execution	5-3
5.6	Accountability	5-3
<b>6</b>	<b>Financial Operations</b>	<b>6-1</b>
6.1	FMMI Document Suspense File Review	6-1
6.2	Treasury Reconciliation Process	6-1
6.3	Automated Disbursement Yearend Cutoff Policy	6-2
<b>7</b>	<b>Financial Analysis and Standard General Ledger (SGL)</b>	<b>7-1</b>
7.1	General Rules for Reviewing an Agency's Financial Information	7-1
7.1.1	Understanding the Agency's Mission, Business Activities, and Workflow	7-1
7.1.2	Standard General Ledger	7-4
7.1.3	Basic Accounting Equation	7-6
7.1.4	Basic Fund Transactions	7-7
7.1.5	Life Cycle of an Appropriation	7-8
7.1.6	Life Cycle of Reimbursable Agreement	7-10
7.1.7	Conducting FSDW Report Analysis	7-13
7.1.8	FMMI Report Analysis	7-15
7.2	General Guidelines for Trial Balance Report Analysis	7-19
7.2.1	Review the Trial Balance Report by Fund and Treasury Symbol	7-19
7.2.2	Verify "Budgetary Resources = Status of Resources"	7-19
7.2.3	Proprietary Accounts and the Basic Accounting Equation	7-20
7.2.4	Verification of the Proprietary and Budgetary General Ledger Account Relationships	7-21
7.2.5	Abnormal Balances	7-25

7.2.6	Trend Analysis in General Ledger Account Balances .....	7-28
7.2.7	New Year Carryover Analysis .....	7-29

**8 Cash Transactions, Obligations and Commitments ..... 8-1**

8.1	Cash Transactions .....	8-1
8.2	FMS 224 Process .....	8-1
8.2.1	Canceled Appropriations .....	8-2
8.3	Commitments .....	8-2
8.3.1	Review Process .....	8-3
8.4	Obligations .....	8-3
8.4.1	Responsibility .....	8-3
8.4.2	Review Process .....	8-3
8.4.3	Feeder System Interface .....	8-4

**9 Accruals ..... 9-1**

9.1	Responsibility .....	9-1
9.2	Reversal Period .....	9-1
9.3	Analyzing and Recording Accruals .....	9-1
9.3.1	Personnel Costs .....	9-2
9.3.2	Travel System (TRVL) and Government Transportation System (GVTS) .....	9-2
9.3.3	GovTrip .....	9-3
9.3.4	Telephone and Utilities .....	9-3
9.3.5	USDA Smart Pay Charge Card Program .....	9-4
9.3.6	Integrated Acquisition System (IAS) .....	9-4
9.3.7	Intragovernmental Payments and Collections (IPAC) .....	9-4
9.3.8	INTR .....	9-4
9.3.9	Computer Center Service Agreement .....	9-5
9.3.10	Other Accruals .....	9-5

**10 Adjusting Entries ..... 10-1**

10.1	Depreciation .....	10-1
10.2	Budget Clearing Accounts .....	10-2

10.2.1	Budget Clearing Account - Undistributed Intragovernmental Payments (12UNPROC) .....	10-2
10.2.2	Budget Clearing Account - Proceeds of Sales, Personal Property (12F3845) .....	10-3
10.3	Pension .....	10-3
10.4	Accrual of Unrecorded Receivables Earned .....	10-3
10.5	Anticipated Appropriations .....	10-4
10.6	Spending Adjustments .....	10-5

**11 Canceled Authority ..... 11-1**

11.1	Overview .....	11-1
11.2	Parent/Child Treasury Symbols .....	11-2
11.3	Impact of Cancellation on Obligations, Accruals, Receivables, and Payables .....	11-2
11.3.1	Obligations .....	11-3
11.3.2	Accruals .....	11-3
11.3.3	Receivables .....	11-3
11.3.4	Payables .....	11-4

**12 Financial Statements ..... 12-5**

12.1	The Balance Sheet .....	12-5
12.2	The Statement of Net Cost .....	12-6
12.3	The Statement of Changes in Net Position .....	12-6
12.4	The Statement of Budgetary Resources .....	12-6
12.5	The Reconciliation of Budgetary Resources Obligated to Net Cost of Operations .....	12-7
12.6	Additional Line Instructions .....	12-7

**13 Appendix FY 2012 Yearend Task List and  
Dates ..... 13-8**

**List of Exhibits**

Exhibit 4-1	FY 20122012 - Accounting Periods .....	4-2
Exhibit 7-1	SGL Summary Account Structure .....	7-5
Exhibit 7-2	SGL Normal Balances .....	7-6
Exhibit 7-3	General Ledger Accounts-Major Categories ....	7-26

Exhibit 7-4 Accounts Receivable Normal and  
Abnormal Balance-Comparison ..... 7-27

Exhibit 7-5 Accumulated Depreciation and Equipment  
Normal and Abnormal Balances-Comparison ..... 7-27

Exhibit 7-6 General Ledger Account Trend Direction ..... 7-29



# 1 Overview

The Annual Close is a yearend process that finalizes the accounting records for one fiscal year and prepares the accounting records for the upcoming fiscal year. This action is accomplished via manual and automated processes throughout the fiscal year, and beginning on October 1st of the new fiscal year, and includes:

- ◆ Closing all nominal and budgetary accounts to real accounts;
- ◆ Computing the beginning balances for the new fiscal year;
- ◆ Generating closing entries for the old fiscal year; and
- ◆ Carrying over available budget authority for user-defined no-year funds.

The Annual Close process requires some manual intervention to ensure that the financial reporting accurately reflects the activities of the organization. This task is accomplished by an in-depth review and analysis of the transactions posted to the general ledger accounts to ensure that these activities are in accordance with statutory requirements mandated by Congress. There can also be adjusting entries posted to ensure that all financial activities are properly captured in the financial records of the Department.

The Office of the Chief Financial Officer and the Office of Inspector General have established October 27, 2012, as the date for submission of final, unaudited Fiscal Year (FY) 2012 USDA Financial Statements, which results in compressed periods for the production and review of these financial reports.

This FMMI Annual Close Guide provides the specific requirements for recording transactions in FMMI as of September 30, 2012. In general, FMMI affords the opportunity to process actual transactions through September 30, 2012, thereby reducing the need for accruals. This is in support of the Department's intention to significantly reduce the number of accruals posted at yearend. FY2012 processing will close at 7 p.m. CDT on September 30, 2012.

Compliance with these requirements will ensure that final financial reports are complete and valid with supporting documentary evidence as prescribed by fiscal law.

**NOTE:** FY12, Period 12 will close at the beginning of business on October 1, 2012.



## 2 Purpose of the FMMI Annual Close Guide

The FMMI Annual Close Guide (the Guide) was developed to serve as a comprehensive, yearend procedures reference manual. The Guide is intended to be applicable from year to year and, for this reason, certain special topics and issues may not be within the scope of this Guide.

Due to the complex nature of the Annual Close process, completion and coordination of a wide range of tasks at every level of an agency is required, from the national office to the field level office. To accomplish all required Annual Close tasks in compliance with established policies and procedures, an Annual Close Plan must be developed at each FMMI agency. In addition, yearend coordinators must be designated at each agency to serve as the focal point for facilitating and monitoring the entire Annual Close process.

The information provided herein is relative to the Department's annual close guidance and timelines. To foster compliance with Departmental annual close processes, it is incumbent upon the agencies to take this guidance into consideration, along with the normal timing of agency internal processes when developing agency-specific guidance and timelines for yearend close.

In order to facilitate a better understanding of the Annual Close process, the following sections have been included in this Guide:

- ◆ Functions and Responsibilities
- ◆ Basic Governmental and FMMI Elements
- ◆ Yearend Closing Plan
- ◆ Financial Operations
- ◆ Financial Analysis and Standard General Ledger (SGL) Review
- ◆ Cash Transactions, Obligations, and Commitments
- ◆ Accruals
- ◆ Adjusting Entries
- ◆ Canceled Authority
- ◆ Financial Statements



# 3 Functions and Responsibilities

This section details the specific functions and responsibilities during the Annual Close process. A brief discussion will be included for the following functions:

- ◆ Agency Yearend Coordinator
- ◆ Agency Budget Officer
- ◆ Associate Chief Financial Officer for Financial Systems (ACFO-FS)
- ◆ Associate Chief Financial Officer for Financial Operations (ACFO-FO)

## 3.1 Agency Yearend Coordinator

---

The agency Yearend Coordinator is the point of contact for the FMMI Yearend Close process. The Yearend Coordinator must have an understanding of the accounting and budgetary processes, be familiar with agency business processes, and be in a position to coordinate the efforts of all parties involved in carrying out the required tasks.

The Yearend Coordinator's responsibilities include the following agency-specific functions:

- ◆ Formulate and execute an approved Yearend Closing Plan;
- ◆ Develop and monitor an agency Yearend Closing calendar of events. The yearend calendar should specify all required tasks to be performed during the year, as well as at yearend;
- ◆ Organize the clean-up and review of "rolled over" data in FMMI; and
- ◆ Ensure that all pre-closing and post-closing activities are executed.

## 3.2 Agency Budget Officer

---

The agency Budget Officer is responsible for reviewing available budget authority and creating the FMMI documents that establish budget authority. The Budget Officer also works with the Yearend Coordinator to ensure that all status of funds and budget execution reports are in agreement with the general ledger.

### **3.3 Associate Chief Financial Officer for Financial Systems**

---

ACFO-FS provides technical support by responding to technical issues (e.g., allocation of space, Job Control Language (JCL), system assurance imbalances) related to the execution of the yearend close offline cycles to ensure that all closing activities are completed in accordance with the agency Yearend Closing Plan.

### **3.4 Associate Chief Financial Officer for Financial Operations**

---

ACFO-FO serves in an oversight capacity during the Annual Close process and provides functional support as well as various financial accounting and reporting services to customer agencies. ACFO-FO issues policies and procedures, monitors agency progress, and provides recommendations to resolve problems as they occur.

# 4 Basic Governmental and FMMI Elements

This section provides a brief description of the concepts and terminology used in the Guide. The elements defined reflect terminology used in both the Federal Government financial management sector and FMMI.

## 4.1 Work Breakdown Structure (WBS)

---

The Work Breakdown Structure (WBS) provides the framework for (1) establishing budget structures, (2) collecting and distributing costs, and (3) producing agency and Department-wide reports. FMMI uses standard accounting elements to represent accounting information on all tables, documents, and reports. For an agency in FMMI, a WBS was developed listing the standard FMMI accounting elements for budgetary, spending, and revenue portions of the accounting structure. These elements are mapped to current agency codes or field names in order to meet the agency's specific requirements.

To simplify agency use of accounting data, Shorthand Codes (SHC) have been developed to correspond to specific accounting parameters that reflect both WBS and more detailed accounting information.

## 4.2 Accounting Period

---

An accounting period is a specified length of time used to group information for management and reporting purposes. In FMMI, the length of time an accounting period remains open is defined. USDA defines accounting periods to correspond to a fiscal month within the fiscal year. For example, accounting period 01 corresponds to October, the first month of the fiscal year. For reporting purposes, all transactions processed during the month of October are grouped under accounting period 01. FMMI uses data by accounting period to produce trial balance reports and to determine which transactions should be closed during the Monthly Close process.

To identify fiscal periods within a fiscal year, a combination of the fiscal period and fiscal year is used, e.g. 01 2013 represents the first month of fiscal year 2013, which is October 2012. The following chart illustrates fiscal periods and examples of fiscal month and year combinations commonly used by USDA (including periods used, if needed, for accounting adjustments):

#### Exhibit 4-1. FY 2012 - Accounting Periods

Month	Fiscal Month/Period	Fiscal Month/Year Accounting Period
October 2011	01	01 2012
November 2011	02	02 2012
December 2011	03	03 2012
January 2012	04	04 2012
February 2012	05	05 2012
March 2012	06	06 2012
April 2012	07	07 2012
May 2012	08	08 2012
June 2012	09	09 2012
July 2012	10	10 2012
August 2012	11	11 2012
September 2012	12	12 2012
Adjustments 2012	13	13 2012
TBD (if needed) 2012	14	TBD
TBD (if needed) 2012	15	TBD
Final Annual Close 2012	16	16 2012

### 4.3 Anti-Deficiency Act (ADA)

---

The Anti-Deficiency Act is legislation that prohibits executive departments and agencies from making obligations or expenditures in excess of the amounts appropriated by Congress.

ADA provides that an officer or employee of the United States shall not:

- ◆ Make or authorize an expenditure from, or create, or authorize an obligation under any appropriation or fund in excess of the amount available therein;
- ◆ Involve the Government in any contract or obligation for the payment of money for any purpose in advance of appropriations made for that purpose unless law authorizes such contract or obligation;
- ◆ Accept voluntary service for the United States or employ personal service in excess of that authorized by law except in cases of emergency involving the safety of human life or the protection of property; and

- ◆ Authorize or create any obligation or make any expenditure in excess of apportionment or reapportionment or in excess of the amount permitted by agency regulations prescribed and approved pursuant to the act.

“Should a violation occur laws and Federal regulations require that the head of the violating Federal entity immediately furnish to the President of the United States, through the director of the OMB, and Congress through the Speaker of the House and the President of the Senate, information on these violations.”<sup>1</sup>

## 4.4 Appropriations

---

Appropriation bills are initiated in the House and provide the budget authority for the majority of Federal programs. Budget authority permits agencies to incur obligations that will result in future outlays and expenditures. An appropriation can make funds available from the general fund, special funds, trust funds, or authorize the spending of offsetting collections credited to expenditure accounts, including revolving funds. Congress appropriates funds in three ways:

- ◆ **Single-year appropriation** – Budgetary resources that are available to incur new obligations for one fiscal year. The Treasury Symbol for single-year appropriations uses the last digit of the authorized year to designate the year of availability (e.g., 1224609 for a 2012 single-year appropriation).
- ◆ **Multi-year appropriation** – Budgetary resources that are available to incur new obligations for two or more fiscal years. The Treasury Symbol for multi-year appropriations uses the last digit of the first and last years to designate the availability (e.g., 121/24609 for a 2011/2012 multi-year appropriation).
- ◆ **No-year appropriation** – Budgetary resources that are available to incur new obligations until the purposes for which they were provided are carried out. Unlike single and multi-year appropriations, no-year authority does not expire. The Office of Management and Budget (OMB) or the agency head can, however, cancel no-year authority provided that: (1) the purposes for which the authority was provided have been carried out, or (2) disbursements against the authority have not occurred for at least 2 years. The Treasury Symbol for no-year appropriations uses an **X** to designate the availability (e.g., 12X4609 for a no-year appropriation).

---

<sup>1</sup> Definition adapted from the Federal Accounting Handbook by Cornelius E. Tierney.

## 4.5 Beginning Balance Entries

---

Beginning balances are balances from the prior fiscal year's Annual Close ending balances.

Budget Fiscal Year (BFY) is a term used to define the initial period for which appropriated funds are available to incur obligations. FMML is designed to distinguish between the fiscal year in which a transaction takes place (FY) and the fiscal year for which the funds are authorized or available (BFY). Comparing the FY with the BFY indicates whether the fund is expired or unexpired.

OMB requires agencies to report separately how much new spending occurred against expired year funds and how much monies were freed up because of the reduction or cancellation of prior year obligations and expenditures. The use of Budget Fiscal Years enables funding and spending to be tracked appropriately.

Within FMML, single-year and no-year appropriations have only a Beginning Budget Fiscal Year. For single-year appropriations, the BFY is always the last two digits of the authorized year. For no-year appropriations, the BFY is the current year or any previous year that has budget authority. For multi-year appropriations, there is a beginning and ending BFY and it consists of the last two digits of both the first and last authorized years.

In FMML terminology, all new spending should come out of the current year (where BFY= FY).

It is possible, however, to have transactions where the BFY is less than the current FY. This would indicate that a prior year obligation or expenditure has been reduced or canceled and that an upward/downward spending adjustment or prior year recovery will be invoked.

## 4.6 Budgetary Resources

---

Budgetary resources represent funding from Congress at the appropriation level.

## 4.7 Canceled Authority

---

Canceled authority represents budget authority that has been withdrawn from Federal entities and transferred to the U.S. Department of the Treasury (Treasury) because the period of expired authority has ended.

## **4.8 Carryover Authority**

---

Carryover authority represents available budget authority from a no-year fund that is carried over as new funding in the new year.

## **4.9 Closing Entries**

---

Closing entries are accounting transactions that are system-generated by FMFI. These transactions reduce selected budgetary and proprietary general ledger account balances to zero.

## **4.10 Downward Spending Adjustment**

---

A downward spending adjustment is an adjustment recorded against an expired appropriation that produces a net increase in funds availability. A canceled obligation, an expenditure refund, a discount that has been applied to a payment, or a final expenditure that is less than the obligation it liquidates can trigger a downward spending adjustment.

## **4.11 Expired Authority (Single and Multi-year)**

---

Expired authority is authority that is no longer available to enter into new obligations or to incur new liabilities, but from which outlays can be made to pay for obligations that were previously incurred during the unexpired period. Public Law 101-510 dictates that all Federal entities may expend their remaining budget authority for 5 years after the expiration of a definite appropriation to pay unliquidated obligations and liabilities still on the books. During this 5-year period, all funds are available for recording, adjusting, and liquidating any obligations properly chargeable to the account prior to the time the balances expired. At the end of that 5-year period, all authority to spend, both obligated and unobligated funds, is canceled and the authority is transferred back to Treasury.

## **4.12 Final Annual Close Process**

---

Final Annual Close is a yearend process that finalizes the accounting records for one fiscal year and prepares the accounting records for the upcoming fiscal year. The final Annual Close process includes:

- ◆ Canceling all outstanding commitments (this applies only to expired funds);
- ◆ Canceling all outstanding obligations, accruals, and payables for canceled single and multi-year funds;
- ◆ Transferring all outstanding receivables to a miscellaneous receipt account (this applies only to canceled funds);
- ◆ Closing all nominal accounts to real accounts;
- ◆ Closing budgetary accounts to permanent budgetary accounts;
- ◆ Generating closing entries for the old fiscal year; and
- ◆ Generating beginning balances for the new fiscal year.

## **4.13 Fiscal Year (FY)**

---

The fiscal year represents the Government's accounting year. It begins on October 1<sup>st</sup> and ends on September 30<sup>th</sup>. In FMML, the fiscal year is the year in which the transaction takes place. The fiscal year is used in conjunction with the Budget Fiscal Year (BFY) to track spending and to invoke upward/downward spending adjustments and prior year recoveries.

## **4.14 General Journal (GENJ)**

---

The General Journal (GENJ) is a file that contains a record of detailed debit and credit entries for each accounting transaction processed in FMML.

## **4.15 Recoveries**

---

Recoveries occur when a prior year paid or unpaid undelivered order is reduced or canceled. For no-year and unexpired multi-year accounts, apportioned recoveries of prior year obligations are available for new obligations. Recoveries are considered budgetary resources and should be reflected in the trial balance report when applicable.

## **4.16 Treasury Symbol**

---

The Treasury Symbol is a combination of numbers and letters or symbols denoting the agency responsible for the account, the period of availability of the account for new obligations, and the four-digit appropriation or fund account symbol.

## **4.17 Trial Balance Report**

---

The trial balance report is a report that lists an agency's general ledger accounts (both proprietary and budgetary) and the balances that exist in those accounts. The trial balance provides proof that the ledger is in balance when the total debits equal the total credits.

However, preparation of a trial balance with equal debit and credit balances does not prove that the transactions have been recorded in the proper general ledger accounts. For this reason, trial balance reports should be analyzed monthly to ensure that:

- ◆ General ledger accounts have the appropriate normalized ending balance;
- ◆ Correct relationships exist between the proprietary and budgetary general ledger accounts;
- ◆ Proprietary and budgetary general ledger accounts are self-balancing and net to zero; and
- ◆ No conditions exist that would cause a fund to be anti-deficient.

## **4.18 Upward Spending Adjustment**

---

An upward spending adjustment is an adjustment recorded against an expired appropriation that produces a net decrease in funds availability. An upward spending adjustment can be triggered by an increase to a direct expenditure, an expenditure refund that has been canceled or reduced, interest that has been applied to a payment, or processing of an expenditure that is in excess of the obligation it liquidates.



# 5 Yearend Closing Plan

This section provides guidance for developing a Yearend Closing Plan that will assist agencies with executing a successful Annual Close.

## 5.1 Content and Schedule

---

A **Yearend Closing Plan** must be developed by each agency for the fiscal year being closed. The plan should include the following:

- ◆ All required tasks to be performed at yearend;
- ◆ Instructions or procedural guidelines to perform the tasks;
- ◆ Due dates or timing of the tasks; and
- ◆ Individuals or organizations responsible for carrying out the tasks.

The Yearend Closing Plan should integrate both accounting and budget operational requirements, and should include input from other functional areas such as procurement, support services, facilities management, etc. This input is critical to a successful Annual Close. Overall, the plan should be consistent with established policies and procedures included in this Guide. By developing and executing the Yearend Closing Plan, the agency will ensure that all tasks are accomplished within the required timeframes.

The Yearend Closing Plan used for the prior year, as modified for actual experience, may be a good starting point. The basic steps to develop a Yearend Closing Plan include:

- ◆ Coordination;
- ◆ Task definition;
- ◆ Communication;
- ◆ Execution; and
- ◆ Accountability.

## 5.2 Coordination

---

Solicit input for the Closing Plan from functional areas such as:

- ◆ Finance;
- ◆ Procurement;
- ◆ Support Services;
- ◆ Facilities Management;
- ◆ Human Resources;
- ◆ Training; and
- ◆ Other areas, as appropriate.

## 5.3 Task Definition

---

To define tasks clearly, solicit cutoff dates and special processing requirements, such as micro-purchases and payroll splits, etc. A complete list of all required tasks should be developed in detail. The process of task definition includes the following steps:

- ◆ Identify *major activities* required for yearend closing. An example of one activity is to conduct a review of financial plan balances.
- ◆ Identify the *tasks* for each major activity, functional and technical. An example of a task is to perform full-time equivalent (FTE) and labor cost projections.
- ◆ Identify the *subtasks* for each task. An example of a subtask is to perform projection for overtime.

**NOTE:** Feeder system cutoff date information will be made available with annual fiscal yearend guidance.

## **5.4 Communication**

---

Once the Closing Plan is developed, it is essential to communicate it to all parties involved. The form of communication can include:

- ◆ Issuance of a formal memorandum;
- ◆ Conference calls;
- ◆ Electronic mail; and
- ◆ Formal/informal status meetings.

## **5.5 Execution**

---

Once the Closing Plan is developed and communicated to all parties, the plan's tasks must be defined to provide:

- ◆ Name of the responsible parties, including team leads;
- ◆ Task identification and responsible parties for completing; and
- ◆ Targeted completion dates for each task.

## **5.6 Accountability**

---

To ensure the process is completed within prescribed timeframes, specific goals must be identified. Once the goals are identified, progress obtaining these goals must be reported to the Chief Financial Officer of the agency, as well as the Department's Chief Financial Officer. This progress report should include:

- ◆ Tasks completed;
- ◆ Expected timelines for uncompleted tasks; and
- ◆ Problems encountered.



# 6 Financial Operations

This section describes the financial operations that an agency should perform in FMMI on an on-going basis throughout the fiscal year. The processes discussed in this section have a significant impact on the FMMI Annual Close and should be considered and monitored throughout the year to avoid incorporation of incorrect data that could cause errors that impede the performance of the Annual Close process or misrepresent the financial information shown on internal or external reports.

## 6.1 FMMI Document Suspense File Review

---

It is imperative that responsible entities process all unprocessed transactions continually throughout the fiscal year. Transactions can be processed until 7 p.m. CDT on September 30, 2012, for inclusion in FY 2012 reports. FMMI unprocessed transactions appear in three document categories:

- ◆ Parked;
- ◆ Batch Data Communication (BDC); and
- ◆ Interface Documents (IDOCs).

**NOTE:** For additional information regarding parked documents, FMMI provides an Online Help Procedure (OLHP) entitled Display Parked Documents. Feeder system reports related to BDCs and IDOCs are available from the agencies' Administrative Payments points of contact as appropriate.

## 6.2 Treasury Reconciliation Process

---

The Fund Balance with Treasury account is an asset account representing the future economic benefit of monies that can be spent for authorized transactions. The SGL defines the Fund Balance with Treasury as consisting of all funds on deposit with Treasury, excluding seized cash deposited, and reported on the Statement of Transactions, Statement of Accountability, and the Yearend Closing Statement. Federal agencies use the Fund Balance with Treasury account to record appropriation, receipt, transfer, and disbursement activity.

Federal agencies must use the Fund Balance with Treasury account to reconcile with the Treasury Financial Management Service (FMS) records. This reconciliation is essential to internal records, improving the integrity of various

U.S. Government financial reports and providing a more accurate measurement of budget results. A detailed reconciliation assures that agency data accumulated in the fund balance account is accurate and allows the agency to resolve differences in a timely manner. This reconciliation should occur on a monthly basis.

A monthly review and reconciliation ensures the accuracy and reliability of the financial information reported to Treasury, as well as the data reported internally and externally. This reconciliation also ensures that transactions that involve a cash receipt or cash disbursement are using a posting model that reflects cash impact on the general ledger. A discrepancy would exist between the agency's FMS 224, Statement of Transactions, and the Fund Balance with Treasury if the cash impact was not recorded correctly on the agency's books. The monthly reconciliation would identify any discrepancies between the agency and Treasury on an on-going basis and facilitate adjustments that would need to be made to correctly reflect the fund balance at yearend before the Annual Close process is performed.

The issue of cash management should also be considered when discussing the Treasury reconciliation process. A constant review and reconciliation of the cash balance will keep this balance in agreement with Treasury, giving the agency an accurate picture of the cash balance at all times, and allowing the agency to know how much cash is available for obligations and expenditures. If the cash balance is not known or overstated, an anti-deficient condition can arise if funds are obligated or expended in excess of the true available cash balance.

### **6.3 Automated Disbursement Yearend Cutoff Policy**

---

The FMFI Automated Disbursement Subsystem records, monitors, and controls all activities associated with the disbursement of funds. These activities would include the disbursement of funds through the generation of Treasury disbursement files.

As part of the FMFI automated disbursement process, payment documents are selected, based on selection parameters, and scheduled for disbursement. A Treasury disbursement file is created from the agency's disbursement schedule. Treasury uses the disbursement files to transmit payment to a supplier of goods and services on behalf of the agency that received those goods and services.

The FMFI automated disbursement process is accelerated during the FMFI Annual Close process. The payments are accelerated to ensure that Treasury has the opportunity to confirm the disbursement schedules and that the accounting impact of the disbursement and reconciliation process are recorded for an agency prior to closing the fiscal year.





# 7 Financial Analysis and Standard General Ledger (SGL)

This section of the Guide was developed as guidance for the analysis of an agency's financial information. Additional guidance on financial analysis can be found in the Treasury Financial Manual (TFM) or at [www.fms.treas.gov](http://www.fms.treas.gov).

This section is divided into two areas of importance. The first section focuses on the general rules and guidelines for reviewing an agency's financial information. The second section provides overall guidance for analyzing the trial balance report to ensure compliance with the Department's overall mission.

## 7.1 General Rules for Reviewing an Agency's Financial Information

---

The following guidance should be used when reviewing financial information.

### 7.1.1 Understanding the Agency's Mission, Business Activities, and Workflow

---

The primary objective of financial management in the Federal Government is to ensure fiscal accountability and compliance with congressional mandates. Because of these objectives, Congress has directed certain agencies such as OMB and Treasury to establish financial management policies, and issue specific accounting and reporting principles, standards, and administrative guidelines. These policies and standards provide guidance for Financial Managers in fulfilling their responsibilities. In addition, to enhance financial management in any organization, the Financial Manager must also possess an understanding of the agency's mission, its business activities, and workflow.

#### Understanding the Agency's Mission

Most managers in private companies must decide what to do or what they are trying to do. However, in the Federal Government, the legislative process already dictates each agency's responsibility. Congress has determined what each agency will do and dictated how much money is to be spent in fulfilling each agency's mission. Therefore, an understanding of an agency's mission will enhance the Financial Manager's ability to determine the appropriateness of

activities performed within the agency and their effect on the overall mission of the agency.

For example, USDA's mission is:

"To provide leadership on food, agriculture, natural resources, and related issues based on sound public policy, the best available science, and efficient management." As a result of this mission, the Department's activities include:

- ◆ Ensuring a safe, affordable, nutritious, and accessible food supply;
- ◆ Caring for agricultural, forest, and range lands;
- ◆ Supporting sound development of rural communities;
- ◆ Providing economic opportunities for farm and rural residents;
- ◆ Expanding global markets for agricultural and forest products and services; and
- ◆ Working to reduce hunger in America and throughout the world.

The Financial Manager must ensure that the financial transactions resulting from agency activities are consistent with the mission of each agency. The agency's activities ultimately affect the reporting requirements of the Department's overall mission.

### **Understanding the Agency's Business Activities and Workflow**

An agency's mission also has a direct link to its business activities and workflow. The business activities and workflow relate to the budget cycle, accounting cycle, and the related transactions generated from these cycles. In order to understand the business activities and workflow of an agency, a Financial Manager must possess an overall knowledge of the budget cycle and the accounting cycle.

An understanding of the Federal budget cycle is essential to understand how agencies get funds to spend, spend those funds, manage and report those funds, and later evaluate and audit those funds. Each phase of the budget cycle will determine the type of transactions recorded in the organization's financial system. The type of funds such as trust funds, reimbursable funds, working capital, and general funds will also determine the related transactions. Each type of fund requires specific types of transactions.

The Financial Manager must understand the agency's budgetary transactions. This understanding is critical because these activities affect the financial information sent forward to internal and external users. The Financial Manager is responsible for monitoring and periodic reporting on these activities. Therefore, this understanding prevents errors and ensures the reliability of the financial data presented in the reports.

Understanding of the SGL will also enhance the knowledge needed for the agency's transactions. The SGL provides guidance on the proper recording of transactions for various types of funds and related activities.

The accounting cycle has established procedures for the periodic reporting of the effects of transactions and selected other events on an entity in the form of financial statements and other external reports. The accounting cycle is completed once a year for the Federal Government.

The accounting cycle includes:

- ◆ Budget formulation;
- ◆ Budget execution and distribution;
- ◆ Procurement of goods and services;
- ◆ Payment for the goods and services;
- ◆ Generation of bills;
- ◆ Collection of funds; and
- ◆ Generation of management and statutory reports.

During the accounting cycle, the Financial Manager must look for the usual transactions, unusual transactions, and the omission of various transactions.

In order to minimize processing errors, periodic monitoring and account analysis must be performed to ensure that the financial information is correct.

Analysis of transactions during the accounting and budget cycles must be performed to ensure that all possible events that affect the organization are recognized and properly recorded. Due to the nature of the Government accrual accounting is used to properly record its transactions. Therefore, adjusting entries are necessary to achieve a proper matching of revenues and expenses and the proper recording of budgetary and proprietary transactions.

During the accounting cycle, transactions will occur on a daily, monthly, quarterly, or annual basis. On a daily cycle, various transactions occur that impact the Fund Balance with Treasury accounts. As part of the monthly cycle, various transactions such as accruals and other adjustments are processed by the organization. The daily and monthly transactions will be used for reporting such as the FMS 224, which is an important part of the monthly cycle.

As part of the quarterly cycle, external reports such as FACTS II are an integral element. However, all of the financial records will be used by the final phase of the accounting and budget cycles. The final phase includes the closing of the financial records in preparation for a new fiscal year and the generation of the consolidated financial statements.

### 7.1.2 Standard General Ledger

---

Historically, each Federal agency developed its own accounting structure and reported to the Federal Government using its agency structure. Because each agency accounted for its funds differently, it was difficult to consolidate the data across the Federal Government. In order to provide consistent reports and to enhance financial control, the Federal Government adopted the SGL, which is a standard chart of accounts that must be used by all Federal agencies.

The SGL chart of accounts provides the basic structure for an agency's chart of accounts. It identifies and defines budgetary, proprietary, and memorandum accounts to be used in agencies' accounting systems. Each of these accounts is defined as follows:

- ◆ Proprietary accounts record all financial transactions in order to show actual financial position and results of operations of an agency. Recording expenses for a period is an example of a transaction affecting proprietary accounts. Examples of proprietary accounts are assets, liabilities, expenses, revenues, and equity.
- ◆ Budgetary accounts record all budget activity of an agency in order to measure and control the use of resources according to the purposes for which budget authority was enacted.
- ◆ Budgetary and proprietary accounts track the use of each appropriation for specified purposes in separate budget accounts through the various stages of budget execution from appropriation to apportionment and allotment to obligation and eventual outlay. Recording an appropriation from Congress is an example of a transaction affecting budgetary accounts. Examples of budgetary accounts include total resources, available resources, commitments, undelivered orders, and expenditures.
- ◆ Memorandum accounts are available for an agency to record and maintain any statistical and/or memorandum data. Tracking the discounts taken is an example of a transaction affecting memorandum accounts.

The SGL integrates proprietary and budgetary accounting for each transaction. When transactions are posted, both the proprietary and budgetary sides are recorded simultaneously, as necessary. The budgetary and proprietary sections of the trial balance are self-balancing within themselves (i.e., total debits of proprietary accounts equal total credits of proprietary accounts and total debits of budgetary accounts equal total credits of budgetary accounts).

Each account in the SGL consists of a four-digit number. Agencies are authorized to expand the basic SGL chart of accounts to accommodate agency specific needs. However, any expansion must continue to summarize or "roll-up" into the basic SGL account structure. The following table shows the SGL

summary account structure. Also included are examples of SGL accounts and USDA-specific general ledger accounts within each SGL summary account.

**Exhibit 7-1. SGL Summary Account Structure**

SGL Classification	SGL Classification Description	Sample SGL Account	SGL Account Description
1000	Assets	1010	Fund Balance With Treasury
2000	Liabilities	2110	Accounts Payable
3000	Net Position	3310	Cumulative Results of Operations
4000	Budgetary	4510	Apportionments
5000	Revenue and Other Financing Source	5100	Revenue from Goods Sold
6000	Expenses	6100	Operating Expenses/Program Costs
7000	Gains/Losses/Miscellaneous Items	7400	Prior Period Adjustments Due to Corrections of Errors
8000	SGL Memorandum Accounts (Credit Reform)	8010	Guaranteed Loan Level

Most SGL accounts have a normal balance, either a debit or credit depending on account type. Under normal transaction processing, this normal balance should be maintained throughout the account life. The following table shows the normal balance for each series of accounts in the SGL chart of accounts.

**Exhibit 7-2 SGL Normal Balances**

Account Number	Account Type	Normal Balance
1000	Assets	Debit
2000	Liabilities	Credit
3000	Net Position	Credit
5000	Revenues and Other Financing Sources	Credit
6000	Expenses	Debit
4000	Budgetary Resource Accounts	Debit
	Status of Resource Accounts	Credit

### 7.1.3 Basic Accounting Equation

A basic accounting model has been developed that provides a framework for the accounting system. It serves as the basis for recording financial transactions. This model is usually expressed in equation form for a business entity as follows:

$$\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$$

This accounting equation is the basis for commercial or proprietary accounting. It provides information on how an entity's operations are functioning. The basic logic of the accounting equation for Federal agencies remains the same as that for a commercial entity. However, it no longer contains the classification of owner's equity, but rather the equity of the U.S. Government. The Federal accounting equation can be expressed as:

$$\text{Assets} = \text{Liabilities} + \text{Equity of the U.S. Government}$$

Where:

**Assets** represent amounts of physical (tangible) items or rights to ownership (intangible) owned by the U.S. Government,

**Liabilities** represent amounts owed by the U.S. Government for items received, services received, expenses incurred, assets acquired, construction performed, and amounts received but not yet earned, and

**Equity** of the U.S. Government represents the difference between the assets and liabilities of the U.S. Government.

This equation must always be in balance. As an agency engages in financial activity, the dollar amounts, and the composition of its assets, liabilities, and equity of the U.S. Government change. However, the equality of the basic equation always remains true.

#### **7.1.4 Basic Fund Transactions**

---

Federal fund accounting is focused on fiscal accountability and compliance with the various laws Congress has directed regarding financial management policy, specific accounting and reporting principles, and standards and administrative guidelines for the Federal departments and agencies of the Government. In a step towards this fiscal accountability, Federal agencies are required to comply with Federal requirements, applicable accounting standards, and the SGL. The requirement to comply with the general ledger accounts defined in the SGL would aid the agencies in accurately reporting the financial conditions of a department and facilitate the consolidation of the department's financial statements at yearend.

The SGL was created to provide credible and reliable financial data, and to bring consistency to the accounting of the Federal agencies. The SGL contains defined general ledger accounts and accounting transactions, both proprietary and budgetary, for events that occur throughout the Federal Government. The SGL is not all-inclusive, but it does provide the general ledger accounts of the basic Federal transactions used by most Federal agencies.

Basic Federal transactions contain both budgetary and proprietary impact. Although Federal entities have only one accounting system, there are two different accounting tracks, the budgetary accounting, and the proprietary accounting systems. Financial activity is reported to both the budgetary and the proprietary accounts. Many internal and external reports will contain both budgetary and proprietary data, since both are needed for proper financial accountability and management.

Budgetary accounting applies to the processes, controls, monitoring, and reporting required to track the execution of the budget laws of Congress. It is the reporting for the legal, economic, and accounting events and actions that distinguishes Federal accounting from the accounting of private sector and other public-sector organizations.

The budgetary accounting SGL accounts will typically provide the following financial information:

- ◆ Amount of initial or amended congressional appropriation or spending authority;
- ◆ Appropriation, budget, or spending authority actually used; and

- ◆ Congressional spending authority still available for use.

The “4000” series of the SGL accounts are the basis of budgetary accounting. Understanding the budgetary accounting process and general ledger accounts is a prerequisite to understanding the uniqueness of Federal accounting.

Federal entities also rely on proprietary accounting for their non-budgetary accounts, which would be all other SGL accounts other than the “4000” series. Proprietary accounting is concerned with expenditures and costs – in other words, an entity’s assets, liabilities, net residual Federal position or cumulative Federal investments, revenues or receipts, and expenses and costs. It is not concerned with OMB apportionments. Entries for allotments, commitments, obligations, and the expended appropriation affect only the budgetary accounts. Once performance is completed or goods and service are received, parallel entries must be made in the proprietary accounts.

#### **7.1.5 Life Cycle of an Appropriation**

---

The following basic SGL compliant Federal transactions will show the accounting posting models used to record the basic life cycle of an appropriation. The examples are basic SGL compliant transactions. These examples start with the receipt of appropriated authority from OMB and end with budgetary expended authority and the proprietary disbursement of cash. These examples show the different budgetary and proprietary entries that will occur in the life cycle of an appropriation and give a better understanding of budgetary and proprietary accounting.

##### **Budgetary Entry**

Debit 4119 Other Appropriations Realized  
Credit 4450 Unapportioned Authority

##### **Proprietary Entry**

Debit 1010 Fund Balance With Treasury  
Credit 3101 Unexpended Appropriations – Appropriations Received

To record a simultaneous enactment of appropriations and receipt of warrant.

**Budgetary Entry**

Debit 4450 Unapportioned Authority

Credit 4510 Apportionments

**Proprietary Entry**

None

To record budgetary authority apportioned by OMB and available for allotment.

**Budgetary Entry**

Debit 4510 Apportionments

Credit 4610 Allotments - Realized Resources

**Proprietary Entry**

None

To record the allotment of authority.

**Budgetary Entry**

Debit 4610 Allotments - Realized Resources

Credit 4700 - Commitments - Programs Subject to Apportionment

**Proprietary Entry**

None

To record a commitment.

**Budgetary Entry**

Debit 4700 - Commitments- Programs Subject to Apportionment

Credit 4801 - Undelivered Orders - Obligations, Unpaid

**Proprietary Entry**

None

To record an obligation, that was previously committed.

**Budgetary Entry**

Debit 4801 – Undelivered Orders – Obligations, Unpaid

Credit 4901 – Delivered Orders, Obligations Unpaid

**Proprietary Entry**

Debit 1750 – Equipment

Credit 2110 – Accounts Payable

To record goods received, that were previously obligated.

The differences between the budgetary and proprietary accounting are subtle.

**Budgetary Entry**

Debit 4901 – Delivered Orders, Obligations, Unpaid

Credit 4902 – Delivered Orders, Obligations, Paid

**Proprietary Entry**

Debit 2110 – Accounts Payable

Credit 1010 – Fund Balance with Treasury

To record payment for goods received.

The difference between budgetary and proprietary account are subtle. The main difference relates to when an economic event transpires in the life cycle of a Federal appropriation. For example, proprietary accounting would not include the earlier entries relating to the OMB apportionment, or to obligations of a Federal entity. These are the details of budgetary accounting. Budgetary accounting is concerned with the accounting for funds from the apportionment level to the obligation level. It accounts for an entity’s fiscal stewardship of all appropriations for which it is responsible, both on an individual appropriation basis and in total.

**7.1.6 Life Cycle of Reimbursable Agreement**

---

The following basic Federal transactions show the accounting posting models used to record the basic life cycle of a reimbursable agreement. The examples are basic SGL compliant transactions. These examples start with the anticipation of reimbursement for the fiscal year and end with the collection of funds for the reimbursable work performed. These examples show the different budgetary and proprietary entries that occur in the life cycle of a reimbursable agreement and give a better understanding of budgetary and proprietary accounting.

**Budgetary Entry**

Debit 4210 Anticipated Reimbursements and Other Income  
Credit 4450 Unapportioned Authority

**Proprietary Entry**

None

To record the anticipated reimbursements for the fiscal year.

**Budgetary Entry**

Debit 4450 Unapportioned Authority  
Credit 4590 Apportionments - Anticipated Resources - Programs  
Subject to Apportionment

**Proprietary Entry**

None

To record budgetary authority apportioned by OMB. These amounts are unavailable for obligation.

**Budgetary Entry**

Debit 4221 Unfilled Customer Orders Without Advance  
Credit 4210 Anticipated Reimbursements and Other Income  
Debit 4590 Apportionments - Anticipated Resources - Programs Subject to  
Apportionment  
Credit 4610 Allotment-Realized Resources

**Proprietary Entry**

None

To record the reimbursable agreement (customer order) and allotment of authority.

**Budgetary Entry**

Debit 4610 Allotment-Realized Resources  
Credit 4700 Commitments- Programs subject to Apportionment

**Proprietary Entry**

None

To record the commitment of funds to fulfill the reimbursable agreement.

**Budgetary Entry**

Debit 4700 Commitments- Programs Subject to Apportionment  
Credit 4801 Undelivered Orders, Obligations, Unpaid

**Proprietary Entry**

None

To record an obligation, previously committed, to fulfill the reimbursable agreement.

**Budgetary Entry**

Debit 4801 Undelivered Orders, Obligations, Unpaid  
Credit 4901 Delivered Orders, Obligations, Unpaid  
Debit 4251 Reimbursements and Other Income Earned - Receivable  
Credit 4221 Unfilled Customer Order Without Advance

**Proprietary Entry**

Debit 6100 Operating Expenses/Program Costs  
Credit 2110 Accounts Payable  
Debit 1310 Accounts Receivable  
Credit 5100 Revenue from Goods Sold  
Credit 5200 Revenue from Services Provided

To record goods received or services performed in fulfillment of the reimbursable agreement.

### **Budgetary Entry**

Debit 4901 Delivered Orders, Obligations, Unpaid

Credit 4902 Delivered Orders, Obligations, Paid

### **Proprietary Entry**

Debit 2110 Accounts Payable

Credit 1010 Funds Balance with Treasury

To record payment for goods received or services performed in fulfillment of the reimbursable agreement.

### **Budgetary Entry**

Debit 4252 Reimbursements and Other Income Earned - Collected

Credit 4251 Reimbursements and Other Income Earned -  
Receivable

### **Proprietary Entry**

Debit 1010 Funds Balance with Treasury

Credit 1310 Accounts Receivable

To record the collection after reimbursable work has been completed.

## **7.1.7 Conducting FSDW Report Analysis**

---

This section includes an overview of what is necessary to conduct a Trial Balance analysis.

### Overview

In order to conduct a proper report analysis in preparation for the Annual Close process, the user will have to obtain and analyze one or more of the four Financial Statement Data Warehouse (FSDW) reports listed below, from the Reporting Center.

- ◆ FSDW Abnormal Balance by Treasury Symbol
- ◆ FSDW Crosswalk Trial Balance
- ◆ FSDW General Ledger Account Trial Balance
- ◆ FSDW Trial Balance by Treasury Symbol

These documents will be the focal point of conducting Trial Balance Analysis. The trial balance analysis should be an ongoing exercise throughout the fiscal year, but is particularly relevant to Annual Close after running a Preliminary Annual Close, before running the Final Annual Close process. Conducting a trial balance analysis is critical to Annual Close because it allows the user to identify general ledger abnormalities and correct these problems prior to running Final Annual Close.

In analyzing the trial balances, the user should confirm several checkpoints before proceeding with running the Final Annual Close process. Some of the checkpoints are summarized as follows:

- ◆ Review the FSDW Abnormal Balance Report by Fund, and the FSDW Abnormal Balance Report by Treasury Symbol. Determine why the balances are abnormal and initiate the required corrective action.
- ◆ Review the FSDW Trial Balance. The user can determine which trial balance is suitable based on the level of detail required.
- ◆ Ensure budgetary GL accounts (4000 series) are self balancing.
- ◆ Ensure proprietary GL accounts (all non 4000 series) are self balancing.
- ◆ Validate the sum of all GL accounts total to zero.
- ◆ Validate that Budgetary Resources = Status of Resources.
- ◆ Ensure the proprietary accounts cash balance and accounts receivables are sufficient to cover payables.
- ◆ Validate that Assets = Liabilities + Equity.
- ◆ Review relationships between budgetary and proprietary accounts:
  - Accounts Payable (2110) and others should = 4901 Proprietary net disbursements = budgetary net disbursements.
- ◆ Review the nature of GL accounts, as their presence can provide indications of the associated fund type:
  - The presence of GL account 4650 (Allotments - Expired Authority) would indicate a single or multi-year expired fund.
  - The presence of account 4873 (Prior Year Recovery - Downward) would indicate a no-year fund with actual recoveries.
- ◆ Recognize trends while conducting the analysis, for example:
  - Expenses will increase throughout the year.
  - Available appropriations will be reduced throughout the year.
  - Undelivered orders should be getting smaller throughout the year for expired funds.

All of the bullets are simple steps the user should take in order to ensure a successful Final Annual Close. If a user overlooks an abnormal balance or an imbalance in one of the relationships, it can cause an error on the Annual Close Exception Report, and stop the Final Annual Close process completely.

### **FSDW Abnormal Balance by Treasury Symbol Report**

The FSDW Abnormal Balance by Treasury Symbol Report displays abnormal balances at the Treasury Symbol level. The report lists the USDA general ledger account.

### **FSDW Crosswalk Trial Balance**

The Crosswalk Trial Balance contains the details of the FMMI and Interfaced Non-FMMI columns of the financial statements by line number. It includes the titles, account numbers, accounting periods, fund categories, and vendor types.

### **FSDW General Ledger Account Trial Balance**

The General Ledger Account Trial Balance includes all FMMI data and Interfaced Non-FMMI data. It provides the USDA account number, without any additional details.

### **FSDW Trial Balance by Treasury Symbol**

This trial balance displays the General Ledger Account Trial Balance with added details by vendor type.

**Note:** Agencies should compare their FMMI Trial Balance by Fund at General Ledger Account Level Report (Tcode S\_K14\_38000323) to the FSDW Trial Balance by Treasury Symbol to confirm that FMMI data is accurately crosswalked. It is imperative that agencies perform this review and report any discrepancies to the Accounting Policy and Consolidated Reporting Division (CRD) immediately.

## **7.1.8 FMMI Report Analysis**

---

Agencies should also utilize the tasks available through FMMI to prepare for yearend activity. Tasks include, but are not limited to:

- ◆ Identify Negative Budget Availability (Tcode FMAVCR02);
- ◆ Run Budget Overview Report (Tcode FMRP\_RW\_BUDGET);
- ◆ Validate Budget View by Document Type (Tcode FMB\_B01);

- ◆ Execute Trial Balance by Fund at General Ledger (G/L) Account Level Report (Tcode S\_K14\_38000323); and
- ◆ Execute Trial Balance by Fund at Full Account Level Report (Tcode S\_K14\_38000325); and
- ◆ Execute Resource Related Billing for Earned Unbilled Documents (Tcode DP96).

### **Identify Negative Budget Availability Report (Tcode FMAVCR02)**

This report pulls information based on your agency's level of control in FMMI. When the report is executed with "Display Budget Deficit Only" marked, it is possible to identify negative budget positions based on Availability Control (AVC) rules established for your agency. This real-time data can be used to identify abnormal balances in general ledger accounts 4610, 4620, and 4650. Agency personnel in the FMMI Funds Management Reporter role can access this information via FMMI portal menu path **Funds Management** → **Reports** → **Budget Preparation and Planning** → **Budget Availability Control Report**. Additional information can be found through the FMMI Online Help Procedure (OLHP) entitled Run Budget Availability Control Report.

### **Run Budget Overview Report (Tcode FMRP\_RW\_BUDGET)**

The Budget Overview Report provides real-time data used to validate appropriate balances in non-consumable budget types. (This report provides the same information as the Validate BudgetView by Document Type explained below in a different format.) Agencies can then move balances to the appropriate level for spending/consumption. Agency personnel in the FMMI Funds Management Reporter role can access this information via FMMI portal menu path **Funds Management** → **Reports** → **Analyze Financial Data** → **Budget Preparation and Planning** → **Budget Overview**. Additional information can be found through the FMMI OLHP entitled Run Budget Overview Report.

### **Validate Budget View by Document Type (Tcode FMB\_B01)**

The Budget View by Document Type Report provides real-time data used to validate appropriate balances in non-consumable budget types by process. (This report provides the same information as the Run Budget Overview Report explained above in a different format.) Agencies can then move balances to the appropriate level for spending/consumption. Agency personnel in the Funds Management Reporter role can access this report via the FMMI menu path **Funds Management** → **Reports** → **Budget Preparation and Planning** → **Budget View by Document Type**. Additional information can be found through the FMMI OLHP entitled Run Budget View by Document Type Report.

### **Execute Trial Balance by Fund at General Ledger Account Level Report (Tcode S\_K14\_38000323)**

The Trial Balance by Fund at G/L Account Level Report provides real-time general ledger trial balances at the account level. Agency personnel in the FMMI General Ledger Financial Reporter role can access this report via the FMMI portal menu path **General Ledger Management → Financial Reports → Trial Balance Reports → Trial Balance by Fund at G/L Account Level Report**.

Additional information can be obtained from the FMMI OLHP entitled Run Trial Balance by Fund at G/L Account Level Report.

**NOTE:** Agencies should compare their FMMI Trial Balance by Fund at General Ledger Account Level Report (Tcode S\_K14\_38000323) to the FSDW Trial Balance by Treasury Symbol to confirm that FMMI data is accurately crosswalked. It is imperative that agencies perform this review and report any discrepancies to CRD immediately

### **Execute Trial Balance by Fund at Full Account Level Report (Tcode S\_K14\_38000325)**

The Trial Balance by Fund at Full Account Level Report provides real-time general ledger trial balances at full account level. Agency personnel in the FMMI General Ledger Financial Reporter role can access this report via the FMMI portal menu path **General Ledger Management → Financial Reports → Trial Balance Reports → Trial Balance by Fund at Full Account Level Report**.

Additional information can be obtained from the FMMI OLHP entitled Run Trial Balance by Fund at Full Account Level Report.

### **Execute Resource Related Billing for Earned Unbilled Documents (Tcode DP96)**

This report shows if you have outstanding costs that need to be settled to Sales Order to allow for billing. Agency personnel with the Sales Order Billing Processor role can access this report via the FMMI portal menu path **Accounts Receivable → Sales Order Billing Process → Manage Billing → Execute Collective Billing**.

**NOTE:** Additional information related to Creating and Canceling Sales Orders and other sales order topics is available through the FMMI On-Line Help Procedures (OLHP)

## 7.2 General Guidelines for Trial Balance Report Analysis

---

### 7.2.1 Review the Trial Balance Report by Fund and Treasury Symbol

---

The Trial Balance analysis, which begins at the Treasury Symbol level, using either the FSDW General Ledger Account Trial Balance or the FSDW Trial Balance by Treasury Symbol, can be taken to detail by examining the FSDW Trial Balance.

#### **Application**

By using the various FSDW reports, you can obtain further details about potential trouble spots on your Trial Balance. A problem appearing on your Trial Balance at the Treasury Symbol level can be reviewed at the fund level in order to obtain a clearer picture of the problem's source. Although the trial balance analysis may begin at the Treasury Symbol level, the analysis should also include a review at the fund level. Apparent anti-deficient conditions at the Fund level should be examined upward to the Treasury Symbol level to verify the seriousness of the condition.

### 7.2.2 Verify "Budgetary Resources = Status of Resources"

---

**Example** - This example illustrates the process of verifying that Total Budgetary Resources equals Status of Resources on the Trial Balance; this example assumes that the entire budget authority was distributed to the allotment level. This illustration is not all-inclusive; the user should refer to the FMS US Standard General Ledger (USSGL) crosswalk for the Report on Budget Execution and Budgetary Resources (SF 133) to obtain all standard general ledger accounts included in these categories. In addition, the user can review the FSDW SF 133 on the Reporting Center.

General Ledger Accounts	Budgetary Resources	Status of Resources
4119 – Appropriations	\$2,000,000.00	
4450 – Unapportioned Authority		\$ 0.00
4510 – Apportionment		\$ 0.00
4560 – Sub-Allocation		\$ 0.00
4610 – Allotment		\$1,200,000.00
4700 – Commitment – Programs Subject to Apportionment		\$ 300,000.00
4801 - Undelivered Order		\$ 50,000.00
4901 - Delivered Order Unpaid		\$ 50,000.00
4902 – Delivered Order Paid		\$ 400,000.00
Total	\$2,000,000.00	\$2,000,000.00

### Application

This equation must always be in balance. Inequities in this equation represent serious problems which need to be addressed immediately. An example of a potential inequity in this equation would be if your status of resources exceeded your budgetary resources. This inequity indicates that your agency is spending more authority than it has been appropriated by Congress. If this equation is not in balance, steps must be taken to find and correct the cause of the inequity.

### 7.2.3 Proprietary Accounts and the Basic Accounting Equation

Analyzing a Trial Balance requires examining the general ledger proprietary accounts. Specifically, it should be examined to determine if the proprietary accounts on the trial balance adhere to the basic accounting equation, which is:

$$\boxed{\text{ASSETS} = \text{LIABILITIES} + \text{EQUITY}}$$

The basic accounting equation can be stated in terms of proprietary accounts by calculating whether general ledger accounts in the **1000 series** equal general ledger accounts in the **2000, 3000, 5000, 6000, and 7000 series**<sup>2</sup>. (Note: This equation should net to zero.)

Example of relationship:

The basic accounting equation is:

ASSETS = LIABILITIES + EQUITY

1000s – Assets

2000s – Liabilities

3000s - Equity

Where Equity is defined as (Revenue + Expenses) + Gains or Losses

5000s – Revenue

6000s – Expenses

7000s – Gains or Losses.

Thus, the accounting equation can be restated as:

1000s = 2000s + [(5000+6000)+7000s+3000s]

### **Application**

Examine if these proprietary totals equal in the Trial Balance. If inequities exist, further analysis must be performed. This analysis would include examining the individual components of the proprietary relationship for possible errors. An example of this examination would be to check the 2000 series of General Ledger for any accounts with abnormal debit balances. Errors, such as abnormal balances, have the ability to cause inequities in this proprietary relationship.

#### **7.2.4 Verification of the Proprietary and Budgetary General Ledger Account Relationships**

---

The Federal accounting system combines both budgetary and proprietary transactions. The budgetary system is used to track an entity's stewardship of all appropriations for which it is responsible, both on an individual appropriation basis and in total. The proprietary system is used to track an entity's assets, liabilities, net residual Federal position or cumulative Federal investments, revenues or receipts, and expenses and costs. Even though the budgetary and proprietary accounting systems focus on different aspects of financial management, financial relationships do exist between certain budgetary general ledger accounts and proprietary general ledger accounts.

Although the budgetary and proprietary entries may not occur at the same time, the activity of certain proprietary general ledger accounts should be equal to that of certain budgetary general ledger accounts. Relationships still exist between the two accounting tracks even though the actual accounting entries for the related budgetary and proprietary general ledger accounts may not occur simultaneously. The activity in certain budgetary general ledger accounts will be reflected in the general ledger account balances of certain proprietary accounts.

The proprietary and budgetary general ledger accounts that have these relationships should carry the same general ledger account balances.

Relationships between the budgetary and proprietary general ledger accounts should be reviewed while performing financial analysis. This financial analysis should be performed on a monthly basis, with particular attention given at yearend, and should include the review of one or more of the FSDW Trial Balances. The relationship of the budgetary and proprietary general ledger account balances should be verified during the review of the Trial Balance. When reviewing an agency's Trial Balance, it is important to be familiar with the basic Federal transactions, especially those that reflect the agency's business practices. This will aid in the understanding of the general ledger account balances viewed on the Trial Balance and their relationships to other Standard General Ledger (SGL) accounts.

A review of these general ledger account balances should verify that the transactions were processed correctly and the proper relationships were maintained in the budgetary and proprietary accounts. Certain general ledger accounts have an interrelationship, which will be reflected in the general ledger account balances on the Trial Balance.

The following relationships between budgetary and proprietary general ledger account balances should be maintained on the Trial Balance.

- ◆ Certain proprietary payable and accrued liabilities accounts should equal account 4901.
- ◆ The sum of proprietary general ledger accounts 1010.22, 1010.23, 1010.32, 1010.33, and 1010.98 should equal the sum of the following budgetary standard general ledger accounts' current year activity.
  - 4802 Undelivered Orders - Obligations, Prepaid/Advanced
  - 4902 Delivered Orders - Obligations, Paid
  - 4908 Authority Outlaid Not Yet Disbursed
  - 4972 Downward Adjustment of Prior-Year Paid Delivered Orders-Obligations, Refunds Collected
  - 4982 Upward Adjustments of Prior-Year Delivered Orders – Obligations Paid
  - 4872 Downward Adjustments of Prior-Year Prepaid/Advanced Undelivered Orders – Obligations, Refunds Collected
  - 4882 Upward Adjustments of Prior-Year Undelivered Orders – Obligations, Prepaid/Advanced
  - 4222 Unfilled Customer Orders With Advance
  - 4252 Reimbursements and Other Income Earned – Collected
  - 4255 Appropriation Trust Fund Expenditure Transfers - Collected
  - 4260 Actual Collections of “governmental-type” Fees
  - 4261 Actual Collections of Business-Type Fees
  - 4262 Actual Collections of Loan Principle
  - 4263 Actual Collections of Loan Interest

- 4264 Actual Collections of Rent
- 4265 Actual Collections From Sale of Foreclosed Property
- 4266 Other Actual Business-Type Collections From Non-Federal Sources
- 4267 Other Actual “governmental-type” Collections From Non-Federal Sources
- 4271 Actual Program Fund Subsidy Collected
- 4273 Interest Collected from Treasury
- 4275 Actual Collections from Liquidating Fund
- 4276 Actual Collections from Financing Fund
- 4277 Other Actual Collections – Federal
- 4290 Amortization and Market adjustment – Investments in U. S. Treasury Zero Coupons Bonds

It should be noted that proprietary cash will roll up to general ledger account 1010 – Fund Balance with Treasury for the purposes of the Annual Close process.

#### **General Ledger Accounts 5700, 4901, and 4902**

The proprietary general ledger account 5700, Expended Appropriations, should equal the sum of the budgetary general ledger accounts 4902, Delivered Orders – Obligations, Paid, and 4901, Delivered Orders – Obligations, Unpaid.

#### **General Ledger Accounts 3100 thru 3109, 4450 thru 4882**

For an appropriated fund, the sum of the proprietary general ledger accounts 3100 thru 3109 should equal the sum of the budgetary general ledger accounts 4450 through 4882.

The general ledger accounts 3100 thru 3109 represent the amounts appropriated by Congress, which have not been expended and current year changes to the unexpended balance. The general ledger accounts 4450 through 4882 represent the status of appropriated resources, or appropriations available for obligation. The net balance of these general ledger accounts would represent resources that have not been expended. Both the proprietary and budgetary accounts represent the unexpended portion of an appropriated fund from Congress and should carry the same general ledger account balances on the Trial Balance.

#### **General Ledger Accounts 1410 and 4802**

The proprietary general ledger account 1410, Advances and Prepayments should equal the budgetary general ledger account 4802, Undelivered Orders, Obligations, and Prepaid/Advanced.

The general ledger account 1410 represents payments made in contemplation of future performance of services, receipt of goods, incurrence of expenditures, or receipt of other assets. General ledger account 4802 would represent unexpended obligations relating to the amount of goods and services ordered and obligated which have not been actually or constructively received or transferred but have been prepaid or advanced. Both the proprietary and budgetary accounts represent the payment of cash or obligation of budgetary authority for a future receipt of goods or service and should carry the same general ledger account balances on the Trial Balance.

---

### **General Ledger Accounts 1010, 4201, 4222, and 4802**

The sum of the proprietary general ledger account 1010, Fund Balance With Treasury, and budgetary general ledger accounts 4201, Total Actual Resources – Collected, 4802, Undelivered Orders, Obligations, Prepaid/Advanced, and 4222, Unfilled Customer Orders, With Advance, should equal after the Annual Close closing entries have been posted to the general ledger.

After the closing entries have been posted to the general ledger, the budgetary general ledger account 4201, Total Actual Resources Collected, would reflect the amount of the unexpended appropriations. General ledger 4802 would reflect unexpended obligations relating to the amount of goods and services ordered and obligated but have not been actually or constructively received or transferred but have been prepaid or advanced. A transaction to record a current-year undelivered order with an advance decreases cash without recording the expenditure, since the goods or services have not yet been provided. The proprietary general ledger account 1010, Fund Balance with Treasury, would reflect the remainder (impact of disbursements) of the warrant set up with Treasury at the beginning of the budget fiscal year when the appropriation was received from Treasury.

The validation of the proprietary and budgetary general ledger accounts and their relationship helps to verify the accuracy of the financial data reported on the trial balance. This review will verify the proper processing of transactions in the FMMI application and give a greater comfort level of the data's accuracy. The review of the trial balance is a very important process that has a significant impact on the Annual Close process. This review helps to validate the accuracy and reliability of the financial data contained in FMMI. This financial data will be used as input to the external reports and if incorrect data is contained in the

FMMI application, the external reports will be misstated and misrepresentative of the entity's true financial and budgetary position.

#### **7.2.5 Abnormal Balances**

---

The trial balance report is a compilation of general ledger accounts and their balances, resulting from transaction processing. The trial balance report does not prove that transactions have been correctly recorded in the proper accounts. Therefore, analysis must be performed to ensure that the general ledger accounts are in balance and financial transactions are properly recorded.

The trial balance report is a useful analysis tool, and it is used in the preparation of financial statements and other external reports. Since the financial information contained in the trial balance is critical input to the financial statements and other external reports, the information should be verified for accuracy so the financial reports are not misrepresented.

In order to understand the trial balance report, there must also be a thorough understanding of the general ledger accounts and their relationship to the trial balance based on the USSGL. The SGL categorizes the general ledger accounts which will dictate each account's normal balance. In most instances, the normal balance of a general ledger account can be either a debit or credit balance.

The following table lists the major categories of the general ledger accounts and their normal balances.

**Exhibit 7-3 General Ledger Accounts–Major Categories**

<b>SGL Category</b>	<b>SGL Chart of Account Series</b>	<b>Normal Balance</b>
Assets	1000	Debit
Liabilities	2000	Credit
Net Position	3000	Credit
Budgetary Accounts	4000	Debit or Credit
Revenues and Other Financing Sources	5000	Credit
Expense	6000	Debit

The FSDW Abnormal Balance report identifies general ledger accounts with abnormal balances by Treasury Symbol and by Fund. A verification of the general account balances should be included as part of a periodic analysis of the trial balance report. During normal transaction processing, general ledger accounts may carry balances other than their normal balances, due to timing differences and incorrect transaction posting. However, at the end of a processing cycle, i.e., monthly or quarterly, the general ledger accounts should possess debit or credit balances based on their account category.

The existence of an abnormal balance indicates that transactions or adjustments may have been posted in error to the account. Further review and transaction analysis should be conducted to determine the nature of the error and necessary steps should be taken to correct the error.

**Analyzing Accounts Receivable Abnormal Balances**

As part of a thorough review of the trial balance, special attention should also be given to other abnormalities in the general ledger accounts. The relationship of certain accounts should be monitored such as the relationship between offsetting allowance accounts to the asset accounts. For example, the balance in general ledger account 1319, Allowance for Loss on Accounts Receivable, should not exceed general ledger account 1310, Accounts Receivable.

Since the Allowance for Loss on Accounts Receivable is based on an estimated amount of accounts receivable that are considered uncollectible, this amount should not exceed the total amount of accounts receivable. In this example, the Accounts Receivable account will have a normal debit balance and the Allowance account will have a normal credit balance because the allowance account is a contra or offsetting account to the accounts receivable account.

The following table illustrates an abnormal balance condition and a normal balance condition for the relationship of the Accounts Receivable account and the Allowance for Loss on Accounts Receivable account in a financial statement presentation.

**Exhibit 7-4 Accounts Receivable Normal and Abnormal Balance-Comparison**

General Ledger Accounts	Normal Balance	Abnormal Balances Example	Normal Balances Example
1310 – Accounts Receivable	Debit	\$1,235,000	\$1,574,000
1319 – Allowance for Loss on Accounts Receivable	Credit	\$(1,650,950)	\$(576,000)
Net Accounts Receivable		\$(415,950)	\$998,000

### Analyzing Accumulated Depreciation and Equipment Abnormal Balances

Another account relationship that should be monitored is the relationship between accumulated depreciation accounts and the equipment accounts. The accumulated depreciation represents the systematic allocation of the cost of equipment over its useful life. Therefore, the accumulated depreciation should not exceed the value of the equipment being expensed.

For example, general ledger account 1759, Accumulated Depreciation on Equipment, represents the accumulation of depreciation charged to expense for equipment. General ledger account 1750, Equipment, represents the capitalized cost of tangible equipment. Since the accumulated depreciation account represents the allocation of the cost to the expense, the balance of this account should not exceed the actual carrying value of the capitalized equipment.

The following table illustrates an abnormal balance condition and a normal balance condition for the relationship of the Equipment account and the Accumulated Depreciation of Equipment in a financial statement presentation.

**Exhibit 7-5 Accumulated Depreciation and Equipment Normal and Abnormal Balances-Comparison**

General Ledger Accounts	Normal Balance	Abnormal Balances	Normal Balances
1750 – Equipment	Debit	\$10,235,675	\$12,365,250
1759 – Accumulated Depreciation on Equipment	Credit	\$(11,485,275)	\$(10,855,150)
Net Equipment		\$(1,249,600)	\$1,511,100

### Analyzing Budgetary Abnormal Balances

The account relationship is, however, more critical when reviewing and analyzing budgetary accounts. The 4000 series of the general ledger accounts represent the budgetary accounts, which record all budget activity of an agency to measure and control the use of resources according to the purposes for which the budget authority was enacted.

These accounts track the use of each appropriation for specified purposes in separate budget accounts through the various stages of budget execution, from appropriation to apportionment and allotment to obligation and eventual outlay. As a result, these accounts must be monitored to ensure compliance with regulatory requirements.

The normal balances of the budgetary accounts may vary from debit to credit, depending on the general ledger account used. For example, general ledger account 4119, Other Appropriations Realized, has a normal debit balance, while general ledger account 4610, Allotments – Realized Resources, has a normal credit balance. Budgetary accounts, which are considered resources, will have a normal debit balance. Budgetary general ledger accounts, which are considered status of resources, will have a normal credit balance. However, there are a few exceptions to this rule of thumb. Analysis of the FSDW Abnormal Balance Reports will confirm the existence of incorrect balances for each account.

When reviewing the Abnormal Balance Reports for budgetary accounts, care must be taken to ensure that the accounts presented are accurate and reliable. This review is required pursuant to the Anti-Deficiency Act of 1870, which requires agencies' spending to not exceed their appropriation from Congress, and for the quarterly reporting of FACTS II data.

#### 7.2.6 Trend Analysis in General Ledger Account Balances

Trend analysis is a way of comparing data and identifying patterns of movement (i.e., increasing, decreasing or stagnant) over a period of time. Trend data can be

useful for things such as cost projections for user fees or estimates for budget formulation. In addition, trend analysis is an effective tool for identifying the strengths and weaknesses in an agency’s financial operations.

The trial balance, since it shows the balance for each general ledger account posted to an agency’s General Ledger, is an excellent starting point for identifying unreasonable or undesirable trends. For example, basic accounting suggests that general ledger accounts representative of expenses most likely will have a balance that increases throughout the year. If, upon analysis, an expense general ledger account (e.g., 6100 – *Operating/Program Expense*) is decreasing or even stagnant for an extended period, that is a “red flag” that additional investigation is needed to determine how that account is being posted to the General Ledger.

When performing a trend analysis on a trial balance report, one should compare the ending balance (which represents the cumulative total) in each general ledger account on a monthly basis.

The following table is a sampling of frequently encountered general ledger accounts, their normal balance, and the trend direction (increasing or decreasing) that should be maintained for appropriated funds (unexpired single year).

**Exhibit 7-6 General Ledger Account Trend Direction**

General Ledger Account	Normal Balance	Trend Direction
Fund Balance with Treasury (1010)	Debit	Decreasing
Equity	Credit	Decreasing
Available Authority (4450, 4510, 4610,4620)	Credit	Decreasing
Undelivered Orders (4801,4802)	Credit	Increasing
Revenue (5000 Series)	Credit	Increasing
Expenses (6000 Series)	Debit	Increasing
Expenditures	Credit	Increasing

### 7.2.7 New Year Carryover Analysis

In Federal accounting, carryover consists of all balances that constitute unobligated authority. Unobligated authority is the “unused” portion of budget authority that exists in an unexpired multi-year or no-year appropriation that is subsequently carried forward for (1) new obligations or (2) adjustments to previous obligations, in a following year.

As part of the FMMI Annual Close process, general ledger accounts that represent carryover amounts must be set up. The entries should already exist for the fiscal year that is being closed. These entries, however, need to be reviewed before running the Final Annual Close.

As part of your monthly analysis, the trial balance should be reviewed to ensure that the general ledger accounts representative of unobligated balances, for carryover purposes, have credit balances. In FMMI, the general ledger accounts used for carryover are 4450, 4510, 4540, 4560, 4590, 4610, 4620, and 4630.

The sum of the general ledger account balances that calculate the carryover amount should have an overall credit balance. Monthly analysis of the trial balance will quickly identify abnormal balances that may occur in any of the aforementioned general ledger accounts. The major advantage to monthly analysis is that the cause of the abnormal balance (or any other problem for that matter) can be resolved more easily. This is because there is a shorter time period (i.e., the current month) in which the abnormal balance could have occurred. If analysis comes only at the end of the fiscal year, transactions covering all 12 months would have to be researched to determine the cause of the abnormality. Agencies should perform these analyses on a monthly basis to save time resolving annual closing errors at yearend.

# 8 Cash Transactions, Obligations and Commitments

## 8.1 Cash Transactions

---

Cash transactions are reportable to Treasury via the FMS 224, Statement of Transactions (FMS 224). If the agency has a valid Agency Location Code (ALC), a monthly FMS 224 report must be submitted to Treasury. The transactions reported on the FMS 224 report change the Fund Balance with Treasury (FBWT). The FBWT reflects the spending authority of the Federal Government. In addition, the general ledger trial balance can be impacted by non-FMS 224 collections and disbursements that were recorded in the general ledger but were reported by a different agency on its FMS 224 report or Statement of Accountability (1218, 1219, 1220, and 1221).

Two FBWT reconciliations are performed monthly: (1) Reconciliation between Treasury control totals and the agency FMS 224, and (2) Reconciliation between the Governmentwide Accounting and Reporting (GWA) Account Statement and the agencies' general ledger. It is necessary to balance with Treasury because Treasury reports to OMB and Congress the financial condition of the Federal Government based on the Federal agencies' reporting. At the end of the fiscal year, an adjusting entry is processed for the differences between these items.

## 8.2 FMS 224 Process

---

The FMS 224 is prepared and transmitted to Treasury via GOALS by the third workday of each month. The report will include disbursements and collections processed in the FMMI system. USDA reporting is based on the accomplished month, not the accounting period as stated on the FMS 224 report. Cash transactions processed in a given month will be recorded on that month's FMS 224 for the accomplished month indicated. Example: Disbursement occurred in the month of August by Treasury and was not confirmed in FMMI until September, but prior to the FMS 224 cutoff; the accounting period ended is September but the accomplished month is August. Because the final FMS 224 has not run, all items with an accomplished date of August and prior will be reported on the August FMS 224 report.

The agency will classify the total amount of disbursements and collections in Section II and III, respectively, of the FMS 224 report. Sections II and III classify the transaction amounts by accomplished month. Section I net total and Section

II net total must agree. Section II line 2 and Section III line 2, collections received this month, must agree.

At yearend, no cash transactions should be processed for the current or prior fiscal years after the FMS 224 cutoff date affecting September's activity. If there are large dollar amounts outstanding, Treasury will allow the agency to prepare a supplemental.

### 8.2.1 Canceled Appropriations

---

September 30<sup>th</sup> of the fifth fiscal year of an annual appropriation, is considered a canceled year. **Example:** The initial year of the appropriation is indicated by the 3<sup>rd</sup> position of the Treasury Symbol number. Thus, Treasury Symbol 12Z0600 was opened in 2007 and will close September 30, 2012. The same logic would apply to multi-year symbols. These accounts are no longer available for obligations or expenditures and the funds are returned to Treasury. The agencies' Trial Balance for the closing Treasury Symbol should show a positive or zero balance. The ACFO-FO recommends that procedures be in place to contact vendors for invoicing prior to September 30<sup>th</sup>.

A review of outstanding account receivables, for the closing appropriation, must be performed and every effort to collect should be made prior to September 30<sup>th</sup>. Outstanding receivables must be moved to the miscellaneous receipt account, 123200, and collections received in subsequent years are applied to that account.

**NOTE:** Refer to the *Canceled Authority* section of this Guide for more details on these items.

## 8.3 Commitments

---

Commitment accounting is a tool to allow the budget personnel to oversee spending before a purchase order or contract being awarded. Commitments are normally requisitions for goods or services. The available budget is reduced by the amount of a commitment, at the time of processing, and is recorded as an unliquidated commitment. Commitments are not legally binding and can be withdrawn prior to ordering goods and services. Obligating documents requiring commitments cannot be processed without referencing it; therefore, budget offices should be aware of changes in the awarded amounts and commitments amounts.

Commitments are the first step in the purchasing chain. They reserve funds for future intent to purchase goods and services. They must be liquidated or

canceled before yearend closing; they are not rolled into the new fiscal year. Commitments are established using annual, multi-year, and no-year funds.

### **8.3.1 Review Process**

---

Prior to September 30<sup>th</sup>, unliquidated commitments should be reviewed. Every effort must be taken to liquidate open commitments. Open commitments do not rollover into the new fiscal year. Budget offices will provide procurement offices with a report asking for a status of all open commitments.

## **8.4 Obligations**

---

An obligation is a legal reservation of funds represented by orders placed, contracts awarded, services received, and similar transactions during a given period that will require a payment during the same or future period. It can also be an obligation for which the payment is occurring simultaneously.

### **8.4.1 Responsibility**

---

**The authority to incur obligations for a fiscal year expires at midnight on September 30th.** Each agency should coordinate with their appropriate procurement personnel and accounting operations to ensure that all legal obligations are recorded in the procurement system and in FMFI.

### **8.4.2 Review Process**

---

Each agency is responsible for monitoring and reviewing unliquidated obligations in coordination with their appropriate accounting operations. Unliquidated obligations should be reviewed monthly and especially at yearend to:

- ◆ Ensure all obligations have been recorded in FMFI;
- ◆ Ensure obligations are accurate;
- ◆ Ensure invoices and receiving reports are obtained and submitted for payment;
- ◆ Ensure expenditures/payments reference the correct obligation;
- ◆ Deobligate remaining balances when appropriate; and
- ◆ Cancel invalid obligations.

The review of obligations conducted throughout the fiscal year will ensure that only valid obligations are carried on the books. Especially during the fiscal year closing process, each agency will need an accurate operating budget status to take appropriate actions and ensure the optimal utilization of resources.

Each agency's accounting operation must monitor obligations that must be reviewed and corrected prior to the close of month.

#### **8.4.3 Feeder System Interface**

---

Each agency must verify feeder and candidate system transactions to ensure these are processed in the correct accounting period, especially those transactions, which overlap accounting periods. Feeder transactions must be processed no later than the Department's final system-specific cutoff date. This verification will ensure that feeder system interfaces process the accounting transactions separately and post the transactions in the correct period. This will also ensure that all obligations are processed by September 30th for the current fiscal year. The feeder suspense and interface reject files, must have valid transactions processed prior to the final cutoff period to ensure all obligations are updated as of September 30<sup>th</sup>.

# 9 Accruals

When obligations and expenditures have been incurred but not recorded, the best possible estimate should be used to record these obligations or expenditures. Where an estimate is used, the basis for the estimate and the computation must be documented. An adjustment must be made when events permit a more accurate estimate of the amount of the obligation or expenditure.

For additional information, FMMI provides OLHPs entitled Create Accruals, Reverse Accruals, and Create G/L Account Document

## 9.1 Responsibility

---

Each agency is responsible for determining their obligation and expenditure estimates. With the exception of ACFO-FO generated accruals for payroll, utilities, and telephones, agencies are responsible for entering period-end estimates to cover obligations and expenditures that have not been processed through the feeder systems at ACFO-FO.

It is the Department's goal to limit period-end estimates as much as possible to reduce accruals for the year.

**NOTE:** Specific information regarding payroll obligation estimates is available in the National Finance Center's , Title1, Chapter 7, Section 1 bulletin TNAINST 12-1, Fiscal Year-end Reminder, dated May 18, 2012.

## 9.2 Reversal Period

---

Reversal Period is a term used in FMMI to designate an accounting period in which a document (transaction code) should be reversed. Any of the accounting periods designated in FMMI can be used as a reversal period. Reversal period is usually associated with yearend accruals. **YEAREND ACCRUALS MUST BE REVERSED IN THE FIRST ACCOUNTING PERIOD OF THE NEW FISCAL YEAR.** For additional information, FMMI provides an OLHPs entitled Reverse Accruals.

## 9.3 Analyzing and Recording Accruals

---

The following sections provide guidance for recording yearend accruals.

### 9.3.1 Personnel Costs

---

Regular payroll costs are chargeable to the fiscal year in which the salary is earned. Cash awards are chargeable to the fiscal year in which the award is approved. Lump sum payments are chargeable to the fiscal year in which the date of separation occurs. Agencies should prepare accruals for the following:

- ◆ Cash awards approved; and
- ◆ Lump sum leave payments for separations during September that were not processed in PP18.

### 9.3.2 Travel System (TRVL) and Government Transportation System (GVTS)

---

The following sections provide guidance for travel and transportation related expenses. All travel related transactions, Local, Temporary Duty (TDY), and relocation expenses, are chargeable to the fiscal year in which they are actually incurred.

**NOTE:** When requesting transportation tickets, through GovTrip, travel agencies, travel management centers, or the scheduled airline ticket office using the U.S. Bank Visa account, obligate all travel beginning on or prior to September 30, 2012, as FY 2012 business. All requests for round-trip tickets procured for trips beginning on or prior to September 30, 2012, even though return travel will be after September 30, 2012, should be obligated as FY 2012 business. Since the billing for all tickets issued in September by the travel agency will not be received until October, a period-end estimate should be entered for the value of all travel commencing in September.

#### **Movement or Storage of Household Goods or Personal Effects**

Movement or storage of household goods or personal effects of an employee transferred must be obligated in the fiscal year in which the AD-202, *Travel Authorization*, is issued. Accruals should be prepared and entered to cover the value of all AD-202's for employees being transferred when the Government Bills of Lading (GBLs) for these employees are not included on the listing of paid GBLs furnished to an agency near the end of September. Period-end estimates should also include the value of all AD-202's that were issued in September even though the transfer will not occur until the next fiscal year or later.

#### **Per Diem, Mileage, and Other Incidental Expenses, Including Car Rental**

Charges for per diem, mileage and other incidental expenses are chargeable to the fiscal year in which they are actually incurred. If an agency is not using the obligation estimates feature in TRVL, period-end estimates should be prepared

and entered for any unvouchered travel through September 30<sup>th</sup> or for travel vouchers not received at ACFO-FO by September 30<sup>th</sup>.

All documents entered and accepted into the feeder by 7 p.m. on September 29, 2012, will be recorded in FY12, fiscal period 12 and will be included in the September reports. YE documents for accruals should be prepared and entered to include all orders for the current fiscal year that were not received at ACFO-FO by September 30<sup>th</sup>

### **9.3.3 GovTrip**

---

All travel related transactions processed through GovTrip, are chargeable to the fiscal year in which they are actually incurred. GovTrip documents accepted into the system by 7 p.m. CDT on September 30, 2012, will be recorded in FY12, fiscal period 12.

### **9.3.4 Telephone and Utilities**

---

Current fiscal year funds established through the Telephone and Utilities Maintenance System (TUMS) will be charged when the period of service shown on the invoice ends on or before September 30<sup>th</sup> and new fiscal year funds when the period of service ends after September 30<sup>th</sup>.

In accordance with normal interface schedules, documents entered and accepted into the system by September 29, 2012, will be recorded in FY12, fiscal period 12 and will be included in the September reports.

When the period of service shown on the invoice ends September 30, 2012, or earlier, FY 2012 will be charged. A system-generated estimate will be developed to report estimates of telephone and utility obligations. These estimates will cover complete unbilled periods of service. Period-end estimates should not be prepared to cover the unbilled September service because the entire October bill will be charged to the new fiscal year. When the billing period is bi-monthly, billings should be reviewed to ensure that charges are distributed to the proper fiscal year. Adjustments, if necessary, should be made by preparing and entering period-end estimates.

The accounting classification codes for the new fiscal year telephone and utility payments are changed by systematically rolling the first digit of the agency appropriation code to the new fiscal year (for most agencies). All other elements of the accounting code will remain as established in TUMS. To change any other elements of the accounting classification code, TUMS must be updated by the September cutoff date for accepting Management Account Structure Codes

(MASC) accounting. This date is listed in ACFO-FO's Fiscal Yearend Schedule issued each year.

### **9.3.5 USDA Smart Pay Charge Card Program**

---

The current fiscal year profile accounting will be charged for each credit card purchase made by September 30, 2012. All purchases made after September 30, 2012, should be charged to the new fiscal year. Specific SmartPay yearend guidance is provided by OPPM and can be found at <http://www.dm.usda.gov/procurement/ccsc/index.htm>. Agency representatives should contact their Local Agency Program Coordinator for more specific information

### **9.3.6 Integrated Acquisition System (IAS)**

---

All adjustments and/or updates to IAS must be completed by 7 p.m. on September 30, 2012, to be included in the final September reports for FY 2012.

### **9.3.7 Intragovernmental Payments and Collections (IPAC)**

---

IPAC includes processing of both inbound and outbound IPAC transactions. Inbound IPAC transactions are those payments and collections that are downloaded from Treasury originating from non-FMMI USDA agencies and other Government agencies. Outbound IPAC transactions are those payments and collections entered through FMMI as sales orders (AR) and/or forecast revenues. Yearend cutoff dates for processing IPAC are as follows:

- ◆ Outbound IPAC – September 21, 2012
- ◆ Inbound IPAC – 7 p.m. CDT on September 30, 2012

### **9.3.8 INTR**

---

Intragovernmental payments and collections between USDA FMMI agencies are referred to by the acronym INTR. All sales orders for FMMI agencies must have a purchase order for the item to clear and be processed timely. Yearend cutoff for processing INTR is September 27, 2012.

### **9.3.9 Computer Center Service Agreement**

---

These agreements are a part of the Greenbook estimates. It is the agency's responsibility to record period-end estimates for all unbilled portions of Computer Center contracts.

### **9.3.10 Other Accruals**

---

The table below summarizes additional yearend accruals that each agency must record.

**Exhibit 9- 1. Accrual Summary**

Accrual	Description of Accrual as shown in FMFI	Trans. Model/Trans. Variance
Contract Dispute Claims Accrual	FMS will notify agencies of claims at the transaction level that have been approved for payment from the Judgment Fund via the Judgment Fund Web Site at <a href="http://www.fms.treas.gov/judgefund/index.html">http://www.fms.treas.gov/judgefund/index.html</a>	YE/DE
Unemployment Compensation Expense	Unemployment Compensation Expense	YE/05
FECA Change in Actuarial Liability	<p>The Federal Employees' Compensation Special Benefit Fund was established under the authority of the Federal Employees' Compensation Act (FECA). The FECA Special Benefits Fund pays for income lost and medical costs for Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Annually, Federal entities are allocated the portion of the long term FECA actuarial liability attributable to the entity. An actuarial liability is a liability based on statistical calculations and actuarial assumptions (actuarial assumptions are conditions used to resolve uncertainties in the absence of information concerning future events.) The FECA actuarial liability is an amount recorded by employer agencies for the actuarial present value of future FECA benefits provided to Federal employees or their beneficiaries as a result of work related deaths, disability or occupational disease.</p> <p>Each Federal entity should record its portion of the FECA actuarial liability based on amounts provided by U.S. Department of Labor (DOL). The entity's actuarial liability balance should equal the amounts provided by DOL. The agencies' actuarial liability balance (General Ledger Account 2650N) must equal the amounts provided by DOL.</p> <p>Users should process a YE/FE document as</p>	YE/FE Use doc type SA

	<p>follows:</p> <p>1) Process the first line of the document using an Increase/Decrease Indicator equal to “D” for the total balance amount in General Ledger Account 2650N. This should bring the balance in the account to zero. (This amount should be the same as the amount recorded at the end of the prior fiscal year to GL 2650N. If it is not the same amount, you should understand why it is different and determine if other corrections are necessary.)</p> <p>2) Process the second line of the document using an Increase/Decrease Indicator equal to “I” for the amount provided DOL.</p>	
FICA/OADSI/HITS Expense	FICA/OADSI/HITS Expense	YE/06
FECA Unfunded Accrual	<p>The Federal Employees' Compensation Special Benefit Fund was established under the authority of the Federal Employees' Compensation Act (FECA). The FECA Special Benefits Fund pays for income lost and medical costs for Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease.</p> <p>The FECA Special Benefits Fund pays benefits on behalf of Federal entities as costs are incurred and bills the Federal entity annually for the costs. Federal entities fund the FECA payments through appropriations or operating revenues. These liabilities due to the FECA Special Benefits Fund are recorded by the Federal entities as unfunded at the time of receipt of the bill.</p> <p>Each Federal entity should record its portion of the FECA unfunded liability based on amounts provided by U.S. Department of Labor (DOL). . The entity's unfunded liability balance (General Ledger Account 2225F (16)) must equal the amounts provided by DOL.</p> <p>Users should process a YE/UA document as follows:</p> <p>1) Process the first line of the document</p>	<p>YE/UA</p> <p>Use doc type SA</p>

	<p>using an Increase/Decrease Indicator equal to “D” for the total balance amount in General Ledger Account 2225(16). This should bring the balance in the account to zero. (This amount should be the same as the amount recorded in the previous quarter to GL 2225F (16)). If it is not the same amount, you should understand why it is different and determine if other corrections are necessary.)</p> <p>2) Process the second line of the document using an Increase/Decrease Indicator equal to “I” for the amount provided DOL.</p>	
Headquarters Allocation	<p>USDA agencies are responsible for recording their share of the Washington, D.C. Headquarters overhead costs, including those related to the Department Headquarters Offices and the D.C. complex space, operations and maintenance.</p> <p>The method used for allocating the Department Headquarters Offices costs to the agencies varies by the individual office. For example, the costs of the Office of Congressional Relations and Office of Communications are distributed equally among the mission areas, whereas the cost of the Office of the Chief Economist is allocated based on management’s judgment as to the service provided to each mission area, agency, or corporation and the cost of the Office of Budget and Program Analysis is allocated based on budget and program staff assignments with support costs distributed proportionately based on staff distribution. The cost of General Services Administration (GSA) rent for other than the DC complex is allocated based on GSA’s billing. The cost of the D.C. complex operation and maintenance is allocated based on the square footage of space assigned to each agency with maintenance costs for general areas reallocated proportionately to agencies based on DC-complex FTEs.</p>	YE/JP Use doc type SA
Judgment Fund	The agency will record an imputed cost and imputed financing source at the time it learns	YE/JP Use doc type SA

	<p>that the Judgment Fund will pay the settlement.</p> <p>FMS will notify agencies of claims at the transaction level that have been approved for payment from the Judgment Fund via the Judgment Fund Web Site at <a href="http://www.fms.treas.gov/judgefund/index.html">http://www.fms.treas.gov/judgefund/index.html</a></p>	
OPM and State Department Imputed Costs	<p>The amounts that agencies remit to Office of Personnel Management (OPM) by and for employees covered by the Civil Service Retirement System (CSRS), Federal Employees Retirement System (FERS), Federal Employees Health Benefits Program (FEHB), and the Federal Employees' Group Life Insurance Program (FEGLI) do not fully cover the Government's cost to provide these benefits to the employees after they retire. Consequently, agencies must recognize an imputed cost equal to the difference between the Government's cost of providing these benefits to the employees and the contributions agencies remit currently by and for them.</p> <p>Each year OPM provides agencies with the cost factors for each benefits program needed to calculate and record the imputed costs. Additionally, for agencies that have United States Department of State (State Department) foreign employees, a separate imputed cost accrual is required.</p> <p><b>Note:</b> SGL 5780/6730  OPM=Trading partner 24; Vendor Code 24000001F A  State Department=Trading partner 19; Vendor Code 19000001F A</p>	YE/JP Use doc type SA
Probable Contingent Liabilities	<p>Agencies are responsible for recognizing a contingent liability for pending litigation with a nonfederal entity in which the Office of the General Counsel (OGC) has determined that the outcome for the loss is probable and the amount is estimable.</p>	YE/80 Use doc type SA
Receipt of Goods and Services or Property Plant	<p>On a monthly basis, this transaction is used to accrue an expense for goods and services or property plant and equipment received but not paid for in the current period. The</p>	YE/DE Use doctype SA Do not mix trading partners

and Equipment	document should be set to automatically reverse in the following accounting period. <b>IF AN OBLIGATION(FUNDS COMMITMENT) HAS BEEN PROCESSED THEN THE ENTRY WILL BE A YE/DN</b>	in one document.
FICA Expense	FICA Expense	YE/07
Unbilled Revenue	On a monthly basis, this transaction is used to accrue revenue that was earned in the current period but will not be billed until a future accounting period. The document should be set to automatically reverse in the following accounting period.	YE/FS Use doc type YD if posting to 4222/4252. Ensure that you have forecast of revenue.
Unemployment Compensation	Section 909 of the Social Security Act established the Federal Employees Compensation Account. The account provides funding for the <u>Unemployment Compensation for Federal Employees (UCFE)</u> program. The UCFE program provides unemployment compensation (UC) benefits to Federal employees similar to those provided by State unemployment insurance laws in the private sector. States, through agreement with the Secretary of Labor, act as agents in administering this program. The account's major source of funding is reimbursements from each employing agency. Per the Federal Intragovernmental Transactions Accounting Policy Guide each federal entity must record its portion of the UC unfunded liability based on amounts provided by U.S. Department of Labor (DOL) schedule. The entity's unfunded liability balance (General Ledger Account 2290F (16)) must be consistent with the amounts on the schedule that will be provided by DOL.	YE/13 Use doc type SA

Unfunded Leave Balance	<p>When employees accrue rights to take leave with pay, the government incurs an expense and liability measured by the salary cost of the time that may be taken.</p> <p>The accrual of annual leave in the Federal Government is material and needs to be recognized annually in agency accounting records and financial statements. Federal employers, therefore, shall recognize the expense and related liability for annual leave as it accrues.</p> <p>The liabilities for annual leave shall be adjusted to reflect pay increases and unused leave balances for financial statement purposes.</p>	YE/UL Use doc type SA
Accrual for Funded Payroll and Leave	On a quarterly basis, this transaction accrues an expense for funded payroll and leave	YE/H1 Use doc type SA
Unemployment Compensation Expense	Unemployment Compensation Expense	YE/08 Use trans code YE_UC, doc type SA This will post to 640000UNEM/610000UNEM
FICA/OADSI/HITS Accrual	FICA/OADSI/HITS Accrual	YE/09
Reclassification to 6400 and 2213	Reclassification to 6400 and 2213	YE/10
Reclassification to 6400 and 2213	Reclassification to 6400 and 2213	YE/F2
Expense Accrual with Obligation	Expense Accrual with Obligation	YE/DN Use doc type DN Trading partners can be mixed.
Reclassification of Expenses-6400	Reclassification of Expenses-6400	YE/FJ
Reclassification of Expenses - 6100	Reclassification of Expenses -6100	YE/FG

Payroll lump sum and cash awards	Payroll lump sum payments or Cash Awards not processed by PP 18 can be accrued.	YE/DE Use doc type SA Do not mix trading partners in one document.
Month-End Inventory Adjustment-WCF	Month-End Inventory Adjustment-WCF	YE/WV Use doc type SA

# 10 Adjusting Entries

Several adjusting entries are required to ensure that financial statements and other related records are stated fairly. Adjustments are usually needed for the following items:

- ◆ Depreciation;
- ◆ Budget Clearing Accounts;
- ◆ Pension;
- ◆ Accrual of Unrecorded Receivables Earned;
- ◆ Anticipated Appropriations; and
- ◆ Miscellaneous Receipts Accounts.

Further information can be obtained on adjusting entries from the Agriculture Financial Standards Manual (AFSM). The AFSM, dated May 2004, is available on the Office of the Chief Financial Officer home page, and can be accessed at <http://www.usda.gov/ocfo/acctpol/pdf/fasm.pdf>.

## 10.1 Depreciation

---

Depreciation is defined as the process of allocating the cost of tangible assets to expense in a systematic and rational manner to periods expected to benefit from the use of the asset. This approach is used to match costs with the benefits received during the asset's estimated life. Therefore, in order to reflect this allocation of costs, the agency must prepare an asset analysis. The asset analysis will review the previous asset balances, additions, and retirements during the fiscal year. This analysis would also require a review of the accumulated depreciation contra-account. The accumulated depreciation provides information concerning the amount of depreciation charged to expense in past years.

The agency should verify that each asset meets the Department's capitalization policies (i.e. threshold amounts for expense and capitalization) as outlined in the memorandums dated June 19, 2002, from the CFO Council. The agency's personnel should also review the supplies accounts and other similar accounts to ensure that all assets have been captured in the correct asset/expense categories. In order to verify the asset balances under the control of each agency, a bi-annual physical inventory must be performed. This verification will confirm the existence of the asset and require adjustments for unrecorded acquisitions and disposals.

Based on the asset analysis, the adjusting journal entries for the depreciation can be derived and posted to the correct proprietary accounts. The asset balances, especially the additions, should also be properly reflected in the budgetary accounts.

## **10.2 Budget Clearing Accounts**

---

Clearing accounts are established to temporarily hold unidentifiable general, special, or trust fund transactions that belong to the Federal Government until they are classified to the proper receipt or expenditure account by the Federal entity. An "F" preceding the last four digits of the fund account symbol identifies these accounts. Clearing accounts consist of the "3800" series fund groups.

These accounts allow agencies to temporarily record unresolved cash items pending final determination of the applicable appropriation or fund account to be credited. Each agency is responsible for reviewing the balances in their suspense accounts. Postings to these accounts should be cleared as **quickly** as possible **and** every effort should be made to clear all suspense account entries within 60 days.

The objective is to eliminate any material balances for fiscal yearend, clear all entries within 60 days, and to ensure that no budgetary general ledger accounts exist within the trial balances for these fund symbols.

### **10.2.1 Budget Clearing Account - Undistributed Intragovernmental Payments (12UNPROC)**

---

IPAC transactions (payments and collection types) received without a proper Treasury Account Symbol (TAS) will be recorded in 12F3885 in the FMMI general ledger, assuring all IPAC cash transactions are reported on the SF-224 to Treasury. For those transactions recorded in 12F3885, once the correct appropriation or fund account is identified, the account should be cleared and the proper appropriation or fund account should be charged and/or credited and reported on the FMS 224, at that time

**NOTE:** After a temporary suspension, the use of 12F3885 resumed on December 1, 2011.

### 10.2.2 Budget Clearing Account – Proceeds of Sales, Personal Property (12F3845)

---

Agencies, unless directed otherwise in their specific legislation, have authority to collect proceeds from sales of personal property which can be applied to replace similar property during the fiscal year in which the property is sold and one fiscal year thereafter.

The sales proceeds are deposited to 12F3845 until money is needed to acquire replacement property, the agency determined that the replacement property will not be acquired, or the agency does not replace the property within the prescribed time limit. In the event that replacement property will not be acquired or that the time limit has elapsed, the receipts must be returned to Treasury using a miscellaneous receipt account. The transfer is reported on the FMS 224.

## 10.3 Pension

---

Pension is defined as retirement benefits due from or to administrating agencies for eligible Federal civilian or military employees or their beneficiaries. Adjustments may be necessary to record the cost incurred that are paid in total or in part by other entities. See Chapter 9, Accruals, for additional information.

## 10.4 Accrual of Unrecorded Receivables Earned

---

To accrue unrecorded receivables earned, analysis will have to be done by the agency to determine what amount represents *estimated receivables* by calculating the lesser of (1) Agreement amount – Collected and Recorded Receivable amounts or (2) Obligations + Expenditures – Collected and Recorded Receivable amounts.

Special attention should be given to estimated receivables with Federal vendors. As with all intragovernmental transactions, receivables with Federal customers must be communicated and agreed upon with the Federal trading partner to ensure that the Federal trading partner records their reciprocal accounts, corresponding SGL accounts, for elimination on the Governmentwide financial statements. For example, the providing agency's accounts receivable would normally be reconciled to the reciprocal account, accounts payable, on the receiving agency's records.

Additionally, all accruals to Federal trading partners having a USDA Department code of "12" must equal the balances recorded in the

Intradepartmental Transaction Reconciliation System (ITRS). The elimination of intradepartmental activity for the USDA consolidated financial statements requires that the same amount must exist in each trading partner's general ledger in reciprocal accounts as recorded in ITRS.

The following is the FMMI posting model:

**Proprietary**

DEBIT 1312 – Account Receivable

CREDIT 5200 – Revenue from Service Provided

**Budgetary**

DEBIT 4251 – Reimbursements and Other Income Earned - Receivable

CREDIT 4210 – Anticipated Reimbursements and Other Income

## 10.5 Anticipated Appropriations

---

Treasury guidance stipulates that **the balance in an anticipated account must be zero at fiscal yearend**. Failure to process the necessary adjusting entries to reduce anticipated balances will cause an error in the FMMI Annual Close process.

The two most common anticipated adjustments occur in general ledger account 4120 Appropriations Anticipated and general ledger account 4210 Anticipated Reimbursements and Other Income. An Appropriations Anticipated is defined as the current estimate of amounts anticipated to become available under an existing law. An Anticipated Reimbursement is expected to be earned during the current fiscal year, subject to OMB apportionment, and other authorized reimbursements and/or other income for which current fiscal year obligated authority is automatically established based on customer orders received. While these accounts are the most common, there are other anticipated accounts available for use by the agencies. Each agency must review their trial balances for other anticipated activity that requires adjustment. After accruing for unrecorded receivables earned as discussed in the previous section, any remaining balances in anticipated accounts must be removed.

**Ultimately, agencies are responsible for the quality and integrity of the financial data in FMMI.** Agency monitoring of financial data is an integral part of the Department-wide FMMI operations, and is supported by numerous online capabilities as well as report generation features.

## 10.6 Spending Adjustments

---

A downward spending adjustment is an adjustment recorded against an expired appropriation that produces a net increase in funds availability. A canceled obligation, an expenditure refund, a discount that has been applied to a payment, or a final expenditure that is less than the obligation it liquidates can trigger a downward spending adjustment. An upward spending adjustment is an adjustment recorded against an expired appropriation that produces a net decrease in funds availability. An upward spending adjustment can be triggered by an increase to a direct expenditure, an expenditure refund that has been canceled or reduced, interest that has been applied to a payment, or processing of an expenditure that is in excess of the obligation it liquidates.

When accruals or cash adjustments are reversed in FMFI, they do not invoke spending adjustments. If the agency has not processed the functional document in the accounting system, they should process the appropriate spending adjustment document to reclassify the status of the account. Below are the transaction model/variant transactions used to process spending adjustments.

<b>Document Type</b>	<b>Posting Model</b>	<b>DR</b>	<b>CR</b>
SU	B2_SP	487100UPDN	480100UNDP
SU	B2_ST	497100UPDN	490100UNDP
SU	B2-_SX	487200UPDN	480200UNDP
SU	B2_SY	497200UPDN	490200UNDP



# 11 Canceled Authority

This section describes canceled authority and its impact on the FMMI Annual Close Process. Also discussed are the FMMI off-line job processes that should be run as part of the Annual Close process.

## 11.1 Overview

---

The authority associated with a transaction is canceled when a single or multi-year fund is expired after the 5-year period of expired authority has ended. At the end of this period, the fund is considered closed and the authority associated with that transaction is canceled. Public Law 101-510 requires that all Federal entities may expend their remaining budget authority for 5 years after the expiration of a definite (as to the time availability, purpose, or amount) appropriation to pay unliquidated obligations and liabilities still on the books. At the end of that 5-year period, all authority to spend, both obligated and unobligated, is canceled. The unused budget authority is withdrawn from Federal entities and transferred to Treasury, and any receivables and payables on the book are canceled for the expired appropriation. This means that any obligations, payables, or accruals are canceled, and receivables are transferred to Treasury's General Fund.

The obligation or expenditure authority of an appropriation that is available for obligation or expenditure for an indefinite period can also be canceled. An appropriation available for an indefinite period will be canceled only if the head of the department or agency concerned or the President determines that the purpose for which the appropriation was made has been carried out and no disbursements have been made for two consecutive fiscal years. If an indefinite appropriation is canceled, all status accounts for that appropriation are closed.

This section of the Guide briefly describes the adjusting entry required for canceled authority. Also discussed is the impact on Payables, Accruals, Obligations, and Receivables and their treatment when expired authority is closed and canceled. The offline processes contained in FMMI to process the canceled Payables, Accruals, Obligations, and Receivables will be covered in this section.

### **Budgetary Entry**

Debit 4650 - Allotments - Expired Authority  
Credit 4350 - Canceled Authority

### **Proprietary Entry**

Debit 3106 - Unexpended - Adjustment  
Credit 1010 - Fund Balance with Treasury

## **11.2 Parent/Child Treasury Symbols**

---

Throughout the Federal Government, certain Treasury Symbols are shared between agencies for a specific purpose. For example, an appropriated fund under a given Treasury Symbol that is used for controlling hazardous waste may be used or shared between two agencies within the same Federal Department. The agency originally receiving these appropriated funds is designated as the “parent” agency. The parent agency allocates a portion of these funds to the other agency, designated as the “child” agency. These transfers are executed on an internal Apportionment and Reapportionment Schedule (SF-132). Funds for shared Treasury Symbols are closed out within each agency sharing the funds, i.e., parent and child agencies, if it is an annual fund or multi-year Treasury Symbol. If the shared Treasury symbol is a no-year symbol, an internal apportionment and reapportionment schedule must be executed to reflect the return of funds to the parent

## **11.3 Impact of Cancellation on Obligations, Accruals, Receivables, and Payables**

---

The following sections include instructions for Obligations, Accruals, Receivables, and Payables.

### 11.3.1 Obligations

---

An obligation is a legal reservation of funds represented by orders placed, contracts awarded, services received, or similar transactions during a given period that will require a payment during the same period or future period.

All authority to spend, obligate, and unobligate is closed and canceled at the end of the 5<sup>th</sup> year as an expired period required by Public Law 101-510. When the authority is canceled, the unused budget authority is withdrawn from Federal entities and transferred to Treasury. **Any unpaid voucher documents dealing with the canceled budget fiscal year must be reversed as well, and unliquidated obligation documents must be deobligated at this time.**

### 11.3.2 Accruals

---

When the amount of an obligation is not known at the time it is incurred, the best possible estimate should be used to record the obligation. Where an estimate is used, the basis for the estimate and the computation must be documented. An adjustment must be made when events permit a more accurate estimate of the amount of the obligation and when the actual obligation is determined.

Accruals are used to record obligations. **Since obligated funds are canceled at the end of the 5<sup>th</sup> year period, accruals will also be canceled at this time.** The accrual represented an obligation and will be canceled, and the authority associated with that transaction withdrawn and transferred to Treasury.

### 11.3.3 Receivables

---

Accounts Receivables are claims against other Federal agencies, state and local governments, and non-governmental entities when an agency provides goods or services resulting from reimbursable agreements or memorandums of understanding. Any receivables on Federal entities' books at the end of the 5-year period for expired appropriations are canceled.

Treasury guidance now provides that at the time of cancellation, an account receivable is established in a miscellaneous receipt account of Treasury for future collection efforts. Upon collection, the funds are deposited in the miscellaneous receipt account of Treasury.

#### 11.3.4 Payables

---

At the end of the 5-year period, all the unused budget authority is withdrawn from Federal entities and transferred to Treasury and any payables on the book are canceled for the expired appropriation. With respect to obligations and payables, if these claims prove valid, Treasury will pay the claim, providing two tests are met:

- ◆ The first test is applied to the old appropriation, i.e., the now-expired appropriation. There must be unused canceled appropriation or budgetary authority sufficient to have funded payments if such payments had been made from the old appropriation. The failure to meet this test could result in a violation of the Anti-Deficiency Act, prohibiting obligations and expenditures in excess of an apportionment approval of OMB or an appropriation of Congress<sup>2</sup>.
- ◆ The second test is applied to the new appropriation of the department or agency. The total payments from the new appropriation for obligations and payables of the old appropriation cannot exceed 1 percent of the new appropriation. The 1 percent will be separately apportioned. Unused amounts from the 1 percent may be transferred back to the remaining 99 percent and used to fund new transactions. If such payments to be made exceed the 1 percent limitation, additional budgetary authority must be sought from Congress<sup>3</sup>.
- ◆ Under OMB guidance, the liabilities can not be recorded on the books of a subsequent appropriation until valid bills are received for payment and it is certain payment will be made from that subsequent appropriation.

---

<sup>2</sup> Section 1405 (a) of Public Law No. 101-510 amended 31 U.S.C. 1553 (b) (1).

<sup>3</sup> Section 1405 (a) of Public Law No. 101-510 amended 31 U.S.C. 1553 (b) (2).

# 12 Financial Statements

The “Annual Financial Statement” of a reporting entity shall consist of:

- ◆ Overview of the reporting entity;
- ◆ Principal statements and related notes;
- ◆ Required supplemental stewardship information; and
- ◆ Required supplemental information.

The principal statements to be included in the USDA Consolidated Financial Statements shall consist of:

- ◆ Balance Sheet;
- ◆ Statement of Net Cost;
- ◆ Statement of Changes in Net Position;
- ◆ Statement of Budgetary Resources; and
- ◆ Reconciliation of Budgetary Resources Obligated to Net Cost of Operations.

These reports are generated out of the Financial Statement Data Warehouse (FSDW) and can be viewed in the ACFO-FO Reporting Center at <https://www.nfc.usda.gov/reporting>.

For details on how to prepare the individual statements, see the USDA Financial Accounting Standards Manual (FASM).

For details on Financial Statement due dates, please refer to the latest FY 2012 Financial Management Key Milestones and Due Dates available at <http://cod.nfc.usda.gov/>.

A description of each statement follows.

## 12.1 The Balance Sheet

---

The Balance Sheet presents, as of a specific time, amounts of future economic benefits owned or managed by the reporting entity exclusive of items subject to stewardship reporting (assets), amounts owed by the entity (liabilities), and amounts which comprise the difference (net position). The balance sheet presents assets available for use by the reporting entity (assets for use by entity) separately from those managed by the reporting entity but not available for use in its operations (assets not for use by entity). The balance sheet also separately presents liabilities covered by budgetary resources and liabilities not covered by budgetary resources. Both intragovernmental assets and assets with the public

are integral components of the reporting entity assets. This statement is prepared with a pre-close balance.

## **12.2 The Statement of Net Cost**

---

The Statement of Net Cost is designed to show separately the components of the net cost of the reporting entity's operations for the period. However, the organizational structure and operations of the USDA are so complex that to fully display its sub-organizations' major programs and activities requires supporting schedules to supplement the information in the Statement of Net Cost.

An individual agency/corporation or mission area reporting entity may be able in its own Statement of Net Cost to satisfactorily report the required sub-organization, program cost, and exchange revenue information without using supporting schedules. Both intragovernmental liabilities and liabilities with the public are integral components of the reporting entity liabilities. This statement is prepared with a pre-close balance.

## **12.3 The Statement of Changes in Net Position**

---

The Statement of Changes in Net Position reports the beginning net position, the items that caused net position to change during the reporting period, and the ending net position. The entity should display information on the Statement of Changes in Net Position organized by responsibility segment, component, or otherwise in the same manner as was done for the Statement of Net Cost. This statement is prepared with a pre-close balance.

## **12.4 The Statement of Budgetary Resources**

---

The Statement of Budgetary Resources and the related disclosure provide information about how budgetary resources were made available as well as their status at the end of the period. USDA reporting entities whose financing comes wholly or partially from budgetary resources should prepare this statement. The Statement of Budgetary Resources should be aggregated to reflect all the activity of the reporting entity for the year covered by the financial statement. Prior year information should be presented to allow the reader to make appropriate

comparisons with prior periods. This statement is prepared with a pre-close balance.

## **12.5 The Reconciliation of Budgetary Resources Obligated to Net Cost of Operations**

---

The Reconciliation of Budgetary Resources Obligated to Net Cost of Operations is designed to report differences between the relationship of proprietary and budgetary accounts in the reporting entity's financial management system.

The Reconciliation of Budgetary Resources Obligated to Net Cost of Operations provides information on the total resources used by an agency—both those received through the budget and those received through other venues—during the reporting period. It explains how they were used in agency operations to finance orders for goods and services not yet delivered, to acquire assets and liabilities, and to fund the entity's net cost of operations (expenses less exchange, or earned revenues from providing goods and services). It also demonstrates that an agency's financial management systems can generate budgetary data on resources and status of resources and proprietary data on assets, liabilities, and net position.

Preparers of financial statements have flexibility as to the level of detail presented, that is, the information should be presented for the reporting entity as a whole and, if the preparer elects, for the major sub-organizations or responsibility segments or for the major budget accounts. This statement is prepared with a pre-close balance.

## **12.6 Additional Line Instructions**

---

USDA reporting entities can include additional lines on their own statements; however, all additional lines must roll up to one line on the consolidated statements. Agencies should submit a line-by-line crosswalk, including supporting documentation with their template submissions when their financial statement line items do not comply with the consolidated financial statement format.

# 13 Appendix

## FY 2012 Yearend Task List and Dates

Date	Task Description
9/21/2012	Last day to process outbound IPAC
9/25/12	Clear all unprocessed documents (parked documents, BDCs, IDOCs) <b>NOTE:</b> Items to be disbursed in FY12 must be cleared by close of business on September 25, 2012. It is imperative that all invoices referencing a cancelling year Treasury account symbol be cleared by this date.
9/26/2012	Last FMMI disbursement job (approximately 1:30 a.m. CDT)
9/27/2012	Last day to process INTR
9/28/2012	Last day to process lockbox activities
9/28/2012	Last day to process candidate system activities
9/29/2012	After Final Jobs run on 09/29/2012, all feeder systems other than IAS, GovTrip and Smart Pay begin to stack jobs for Fiscal Year 2013 business
9/30/2012	Last day to process Inbound IPAC, no later than 7 p.m. CDT
9/30/2012	At 7 p.m. CDT, Close IAS, GovTrip and Smart Pay Channels
9/30/2012	At 7 p.m. CDT, Close Period 12, Fiscal Year 2012
10/1/2012	Beginning of business, Open Period 13, Fiscal Year 2012
10/3/2012	Last day to process accruals
10/3/2012	Submit FMS-224 for all agencies
10/4/2012	Asset Reconciliation Branch (ARB) begin preliminary worksheets for cash adjustment
10/4/2012	Close Period 13, Fiscal Year 2012 to all user except COD

Date	Task Description
10/4/2012	Open Period 01, Fiscal Year 2013
10/4/2012	Open channels for feeder systems to Process New Business for Fiscal Year 2013
10/5/2012	By Noon, ARB finalizes preliminary worksheets for cash adjustments
10/5/2012	After Noon, FRB begin processing cash adjustment entries on behalf of agencies
10/9/2012	Agencies begin approving cash adjustments ( <b>Note:</b> Monday, 10/08/2012 is a Federal Holiday)
10/10/2012	Published GWA Account Statement Available to ARB (7th workday)
10/11/2012	ARB and Financial Reporting Branch (FRB) coordinate changes to cash worksheets based upon published GWA Account Statement to process final cash adjustment entries
10/12/2012	FRB finalizes all cash adjustments and obtains agency approval