



## DCMA Manual 4301-04

### Accounting

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**Office of Primary Responsibility**

**Stewardship Capability**

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**Approved by:**

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**Purpose:** In accordance with the authority in DoD Directive 5105.64, "Defense Contract Management Agency (DCMA)," this Manual implements policies as defined in DCMA Instruction 4301, "Stewardship," and defines procedures regarding United States Government Standard General Ledger accounting at DCMA.

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## SECTION 1: GENERAL ISSUANCE INFORMATION

**1.1. APPLICABILITY.** This issuance applies to all DCMA activities involved in U.S. Government Standard General Ledger (USSGL) accounting for all funds and appropriations administered by DCMA unless higher-level regulations, policy, guidance, or agreements take precedence. For the purposes of this Manual, any reference to USSGL or General Ledger (GL) implies these terms can be used interchangeably.

**1.2. POLICY.** All financial transactions will be recorded using the USSGL as implemented via capabilities of DCMA's financial management system and in compliance with all applicable laws and regulations.

**a. Scope.** Defense Agencies Initiative (DAI) is the approved financial management system for budget, finance, and accounting operations of DCMA. All financial transactions will be recorded in DAI whether through original entry or through data interchange from an approved source system. In addition, Defense Finance and Accounting Service (DFAS) owned or hosted information systems such as Defense Departmental Reporting System (DDRS) to include DDRS-Budgetary (DDRS-B) and DDRS-Audited Financial Statement (DDRS-AFS) are approved agency tools used for financial reporting processes and for reconciling and maintaining Fund Balance With Treasury (FBWT).

**b. Usage.** DAI is the official data entry and repository system for DCMA, which provides centralized financial related data for DCMA personnel.

**c. Execution.** Employees will execute this Manual in a safe, efficient, effective, and ethical manner.

### 1.3. EXECUTIVE SUMMARY.

a. DAI was developed by the DoD to comply with DoD transformation goals to modernize defense agencies' systems. DAI is an Enterprise Resource Planning tool that provides the basis for an integrated, enterprise-level system for all defense agencies. The goal of DAI is to modernize financial management capabilities and to allow an agency to effectively manage internal and external resources including tangible assets, financial resources, materials, and human capital.

b. DCMA is responsible for monitoring DFAS internal controls and process outputs, such as DFAS prepared journal vouchers (JVs), footnotes, and statements. DCMA's monitoring of DFAS activities includes reviewing results of examination under Statement on Standards for Attestation Engagements (SSAEs) and executing related Complementary User Entity Controls (CUECs). DCMA must be able to reconcile its FBWT account, assert audit readiness of all disbursements and collections impacting account balance, and consistently fulfill its monthly reporting requirements to the Treasury's Bureau of Fiscal Service.

c. DCMA utilizes DFAS as its financial reporting Service Provider. DFAS performs General Fund FBWT reconciliation processes for Other Defense Organizations (ODOs), which

includes DCMA. Other processes performed by DFAS includes reconciling Treasury Government Wide Accounting/Central Accounting Reporting System, balancing the Cash Management Report (CMR), tracking CMR activity to the accounting system using the Defense Agencies Reconciliation and Reporting Tool, and reconciling Treasury Cash Balance to financial statements within DDRS. Detailed reconciliations of FBWT accounts are performed by DFAS on behalf of ODO Reporting Entities to ensure accuracy and reliability of Reporting Entity fund balance records and integrity of financial statements. It is DCMA's responsibility to validate and monitor detailed reconciliations performed by DFAS on DCMA's behalf for accuracy, completeness, and reasonableness.

d. Processes and roles must be well defined for the relationship between the reporting entity and service provider to work effectively and efficiently.

**1.4. SYSTEM ASSUMPTIONS/CONSTRAINTS.** As the Reporting Entity, DCMA does not create processes and roles that conflict with those for DFAS as the Service Provider. Baselines for processes and roles are based on CUECs from DFAS and established in the Memorandum of Agreement (MOA) or Memorandum of Understanding (MOU) with DCMA.

## SECTION 2: RESPONSIBILITIES

**2.1. DCMA DIRECTOR.** The DCMA Director leads the Agency towards achieving its mission, articulates the Agency's vision, sets program and budget priorities, approves internal policies, and assesses the Agency's performance.

**2.2. EXECUTIVE DIRECTOR, FINANCIAL AND BUSINESS OPERATIONS.** The Executive Director, Financial and Business Operations (FB) will:

- a. Advise the DCMA Director and senior leadership on financial management issues.
- b. Exercise overall responsibility for DCMA's business infrastructure and all matters pertaining to its financial operations, establish policy, and assign responsibility for the financial reporting process to reconcile and maintain FBWT accounts at the Reporting Entity level.
- c. Assess the design of Agency-wide operations, performance, administrative processes, and related internal controls that effect the agency's financial statements to ensure they are adequately designed, documented, and operating as intended.
- d. Select, appoint, and employ such officers as necessary for carrying out functions, roles, and duties for the financial reporting process and for reconciling and maintaining FBWT accounts at reporting entity level.
- e. Ensure appropriate integration of property management procedures with core financial systems and processes, particularly those for logistics and acquisition.
- f. Ensure adequate internal controls over financial reporting and financial systems.
- g. Ensure that all persons entrusted with government property are made aware of their fiduciary responsibilities, including proper care and stewardship, and are properly trained to their level of functional responsibility.
- h. Facilitate and provide oversight for the development of all budgetary and fiscal matters and exercise overall pecuniary responsibility for the Agency.

**2.3. DIRECTOR, CHIEF FINANCIAL OFFICER/COMPLIANCE DIVISION.** The Director, Chief Financial Officer/Compliance Division (FBL) has overall responsibility for all of financial reporting related activities and will:

- a. Articulate requirements to the Financial Systems Operations Branch.
- b. Prepare and review financial statements in conjunction with DFAS Columbus (DFAS-CO) as specified in the Mission Work Agreement.
- c. Research and resolve anomalous transactions and USSGL balances, or tie-point discrepancies in conjunction with DFAS CO.

d. Oversee controls and testing of financial reporting through the Financial Improvement and Audit Readiness process.

e. Periodically schedule internal reviews and audits necessary to assess agency property accountability management systems and inquiries involving property losses.

**2.4. DIRECTOR, BUDGET DIVISION.** The Director, Budget Division (FBB) will:

a. Develop, evaluate, issue, and ensure implementation of policies, procedures, and processes used for budgeting and executing resources to include budgetary requirements, tracking, reprogramming, and the administration of resources.

b. Create Projects and maintain Projects and Tasks for all Work in Progress (WIP)/ Construction in Progress (CIP) projects in order to establish their financial structure.

c. Establish separate requisition line items for all Projects.

d. View Project Status, Summary, and Expenditure.

**2.5. BRANCH CHIEF, REPORTS AND ANALYSIS BRANCH.** The Branch Chief, Reports and Analysis Branch (FBLA) will:

a. Serve as the primary point of contact, and appoint Staff Accountants as necessary, for implementing policies, procedures, and processes used for financial reporting and for reconciling and maintaining FBWT accounts at the Reporting Entity level.

b. Ensure Staff Accountants review and research prioritized unsupported, undistributed transactions/amounts identified by DFAS, with the end goal of being able to reconcile prioritized unsupported, undistributed transactions/amounts to supporting documentation and determine root causes of undistributed transactions/amounts.

**2.6 FINANCIAL BUSINESS SYSTEMS PAYROLL BRANCH.** The Financial Business Systems Payroll Branch will:

a. Clear payroll unmatched disbursements and Gross Pay File variances before end-of-month closure and identify abnormalities that require further research.

b. Provide oversight to the DFAS bi-weekly payroll accrual process ensuring timely processing and the reversal of entries.

**2.7. FINANCIAL BUSINESS SYSTEMS OPERATIONS BRANCH.** The Financial Business Systems Operations Branch will:

a. Ensure DAI releases comply with USSGL requirements through testing.

b. Communicate USSGL requirements identified by FBL to the DAI Project Management Office (PMO) and monitor resolution.

c. Provide customer support, training, and resolution of system issues.

**2.8. CONTRACTING OFFICER'S REPRESENTATIVE.** The Contracting Officer's Representative will:

a. Execute and manage project acquisition activities throughout the project's entire lifecycle in accordance with (IAW) DoD and the DCMA Property, Plant, and Equipment (PP&E) Acquisition process.

b. Ensure project Statements of Work or Performance Work Statements are written to ensure contract requirements are clear and well identified.

c. As required, notify the relative project manager, FBLA, and FBB that a project meets the capitalization criteria. Assist the acquisition Team Lead and Contracting Officer in completing all documentation including item description, estimated useful life, and estimated delivery date.

**2.9. SERVICE PROVIDER.** Roles and responsibilities between DCMA and the Service Provider for the Agency's financial system must be formally documented in a MOU, Mission Work Agreement, MOA, or other appropriate formal agreement.

## SECTION 3: ACCOUNT STRUCTURE

**3.1. ACCOUNT STRUCTURE OVERVIEW.** DCMA is required to implement the USSGL at the transaction level, pursuant to the Federal Financial Managers' Integrity Act (FFMIA) of 2004. Implementation guidance is provided in the Office of Management and Budget (OMB) Circular A-127, "Financial Management Systems." The USSGL is described and maintained in the Treasury Financial Manual (TFM), the Department of Treasury's official publication of policies, procedures, and instructions concerning financial management in the federal government. Compliance with the USSGL requirement is assessed as prescribed in the U.S. Government Accountability Office (GAO) Financial Audit Manual (FAM), which presents methodology for performing financial statement audits of federal entities in accordance with professional standards. The DoD strategy for DCMA as a Fourth Estate is to implement DAI as a single system for financial management, compliant with all relevant requirements to include Business Enterprise Architecture, Standard Financial Information Structure (SFIS), and FFMIA. Therefore, the use of DAI, IAW operating instructions and guidelines from DAI PMO, is DCMA's strategy for compliance.

a. USSGL is the basic structure used to support consistent recording of financial events. It provides a uniform chart of accounts, account descriptions, transaction codes, transaction postings, mandatory attributes, report crosswalks, and associated technical guidance to be used in standardizing federal agency accounting and reporting. The USSGL incorporates both proprietary and budgetary self-balancing accounts, whereas total debits equal total credits. In addition, USSGL facilitates the preparation of standard external reports as required by central agencies such as the OMB and Treasury.

b. Basic 4-digit structure of USSGL consists of:

- 1000 - Assets
- 2000 - Liabilities
- 3000 - Net Position
- 4000 - Budgetary
- 5000 - Revenue/Other Financing Sources
- 6000 - Expenses
- 7000 - Gains/Losses/Miscellaneous Items
- 8000 - Memorandum



## SECTION 4: BALANCE SHEET – CAPITALIZED ASSETS

### 4.1. PROPERTY, PLANT, AND EQUIPMENT.

#### a. Capitalization Criteria and General Requirements.

(1) General Requirement. Capitalize individual PP&E items that are purchased, constructed, or fabricated in-house, including major modifications or improvements to any of these items, if they have an anticipated useful life of two years or more and if acquisition costs exceed the capitalization threshold.

(2) Distinguishing between Accounting for Capitalized Property and Management of Accountable Property. Notwithstanding requirements to account for PP&E that meets capitalization criteria of this policy, DCMA's Corporate Operations Directorate, Facilities Management establishes separate requirements to maintain records of personnel property for accountability purposes.

(3) Capitalization Threshold. The capitalization threshold for items acquired or placed in-service for constructed assets on or after October 1, 2014 is \$250,000. The capitalization threshold for internal use software (IUS) is \$250,000.

(4) Purchased Assets. Capitalized costs include acquisition costs and all costs incurred to bring the asset to a form and location suitable for its intended purpose, as noted in the Statement of Federal Financial Accounting Standards (SFFAS) 6 (e.g., the invoice price and any added transportation and installation costs). When costs are incurred directly by the entity to bring an asset to a form and location suitable for its intended use (e.g., costs not separately invoiced by a third party), capitalized costs will be total or fully burdened costs incurred.

(5) Constructed Assets. When DCMA constructs a depreciable asset for its own use, the acquisition cost of constructed capital assets includes both direct and all allocated indirect costs of the entity that constructed the asset.

(6) Assets Constructed by Contractors. Assets constructed by contractors will be capitalized according to total contract costs incurred in the construction of an asset, including both direct costs incurred and allocated indirect costs.

(7) Assets Acquired through Bulk/Aggregate Acquisitions. Federal Accounting Standards Advisory Board (FASAB) standards require the capitalization of assets acquired through a bulk/aggregate acquisition. Items that are purchased separately, but when combined exceed the capitalization threshold, must be aggregated together and capitalized. Examples of bulk and aggregate acquisitions include fleets of vehicles, groups of servers, and initial complement of equipment (e.g., office equipment) for a building, when the cost of the equipment is not already capitalized as part of building's construction cost. An initial complement for facilities includes, but is not limited to, landscaping, sidewalks, parking lots, furniture, fixtures and network equipment.

(8) Items That Are Generally Not Capitalized. An alteration that does not result in betterment to property is not generally capitalized. Work to accommodate a change in use is considered a betterment.

**b. WIP/CIP – Project Costs.**

(1) General Requirements. Project costs must be accrued in WIP/CIP accounts. When DCMA constructs an asset for its own use, construction costs includes both direct and all allocated indirect costs of the entity that constructed the asset. For assets constructed for DCMA by integrated contractors, project costs include all direct and allocated indirect costs incurred during construction. Construction activities may include additions or betterments to existing PP&E; erecting temporary construction facilities; and, in certain circumstances, demolition, dismantling, and removal.

(2) Accumulating WIP/CIP Costs. Costs must be accumulated in Project WIP/CIP accounts during the acquisition or construction period. Detailed accounting records will be maintained for:

- (a) Each Project or job.
- (b) Each item or Project of capital equipment.

(3) Demolition, Dismantling, and Removal Costs and Salvage Credits. Removal costs will be accounted for as Project WIP when removal is in connection with an authorized project or an equipment project and when one of following conditions are met:

- (a) Removal of existing facilities or equipment is a required part of construction projects, including leasehold improvements.
- (b) Costs are incurred when it is economical to salvage or reuse items.
- (c) Removal is necessary for health and safety considerations.
- (d) Contractual agreements require removal.

**c. Accounting for Betterments – Project Costs.**

(1) General Provisions. Betterments are improvements to PP&E, to include leasehold improvements that result in better quality, higher capacity, or greater energy efficiency, extend useful life of a facility, accommodate a change in use of facility, or accommodate regulatory and or requirement changes.

(2) Improvements to non-DCMA Property. Improvements to non-DCMA property such as leasehold improvements must be capitalized and recorded as a DCMA asset if it otherwise meets capitalization criteria, to include the capitalization threshold.

(3) Federal funds. Use of federal funds for improvements to property of others is only permitted under certain circumstances such as:

(a) Proposed alterations are incidental to and essential for accomplishment of purpose of appropriation.

(b) Cost of alterations are reasonable.

(c) Improvements are used for principal benefit of government.

(d) Government's interest in improvements is protected.

**d. IUS.**

(1) Applicability. SFFAS is applicable to all IUS purchased or in development. IUS is software that is purchased from commercial vendors off-the-shelf (OTS), internally developed, or contractor-developed solely to meet entity's internal or operational needs.

(2) Capitalization Criterion. Software valued at \$250,000 and more with a useful life of at least two years must be capitalized. Since the threshold applies to total cost of the Project, threshold amounts will be applied not only to the current increment of a phased software project, but also to planned future increments and enhancements if the aggregate cost exceeds \$250,000.

(3) Bulk Purchase. A bulk purchase of software is the single purchase of like items of software, in a lot with the cost of each individual item below DoD's established software capitalization threshold. Generally, bulk purchases of IUS that meet DoD's established capitalization threshold and two-year life must be capitalized.

## SECTION 5: AGENCY CAPITAL GENERAL PROCESS

### 5.1. ACQUIRE TO RETIRE PROCESS.

#### a. Create Capital Projects and Tasks.

(1) The Project Manager coordinates with Budget, Acquisition, and Contracts to create Projects and Tasks in DAI to support WIP/CIP cost accounting, financial reporting and ultimately capitalization.

(2) Projects are defined to account for assets that the Agency plans to build or place in service during the course of project work.

#### b. Capitalization and Expense.

(1) The Project Manager and budget personnel will determine that asset costs are completed and will capitalize or expense from WIP/CIP accounts.

(2) Using Projects, the Agency can define assets and capture WIP/CIP and expense costs for assets created. When ready to place assets in service, the Agency can generate asset lines from WIP/CIP costs and send lines to Oracle Assets, a system that simplifies asset management and accounting complexities and Defense Property Accountability System (DPAS) for posting as fixed assets.

#### c. Review and validation of output files. The FBLA Staff Accountant will:

(1) Validate and review Oracle WIP/CIP and DPAS output files within five days of the end of the period.

(2) Notify responsible Program of any issues identified during validation/review process within three business days and work with responsible party to rectify any issue(s) noted. Communication will be documented, dated and filed on the appropriate FBLA 360 site.

(3) Document conclusion of validation, review, and sign and date document before routing document to delegated FBLA official for review and approval.

#### d. Reconciliation DPAS to DDRS. FBLA Staff Accountant will:

(1) At month end, run DPAS reports.

(2) At quarter end, run DDRS reports.

(3) Work the variance report by researching any variances or discrepancies and resolve as needed. The delegated FBLA official will review and approve. Documented actions will be reviewed, validated, dated and filed on the appropriate FBLA 360 site.

## SECTION 6: FINANCIAL REPORTING PROCESS

**6.1. RECONCILIATIONS.** The financial reporting process begins when DAI GL executes its quarterly close process.

**a. Unadjusted Trial Balance Preprocessing.** After system close, the DDRS-B module receives feeder files submitted from DAI and/or designated source systems citing DCMA lines of accounting. Data is required in a format consistent with USSGL and DoD SFIS; however, due to use of legacy financial field-level systems, some data is noncompliant and requires DDRS-B “feeder file pre-processing” to bring it into compliance. Examples of noncompliant data are data submitted in Report Data Types format or GL Account Code format representing GL accounts. Noncompliant feeder file data is processed (feeder file pre-processing) in a designated region in DDRS-B so that data is cross-walked to USSGL and SFIS format or excluded from further processing based on existing DDRS-B crosswalks, edit tables or standard maintenance tables.

**b. Budget Report Reconciliations.** Once all pre-processing actions are complete and data is properly loaded in to DDRS-B, the system reconciles the Trial Balance to amounts reported from various data sources and systems on Standard Form (SF)-133, “Report of Budget Execution and Budgetary Resources.”

**c. DDRS-B to DDRS-AFS.** To generate quarterly financial statements, budgetary execution data must be imported from DDRS-B into the DDRS-AFS Module. To do so, DFAS manually certifies Budgetary Trial Balances in DDRS-B. Once DDRS-B Trial Balances are locked and certified, DFAS exports it from DDRS-B, and it systemically interfaces into DDRS-AFS.

**d. Eliminations.**

(1) DoD’s current accounting systems generally do not capture trading partner information at a level required to eliminate intra-governmental transactions. Therefore, to eliminate intra-departmental activity, DFAS uses information from DoD reporting entity making sales or providing services (“seller-side”) as basis for reporting most of its intra-DoD balances. When DCMA is the buyer, DFAS adjusts certain account balances to match seller-side records.

(2) To perform eliminations, DFAS imports trial balance from DDRS-B or populates the Trading Partner Module of DDRS-AFS. Once the seller-side successfully imports, DDRS-AFS automatically populates reciprocal buyer-side balances and adjusts buyer-side balances as a JV to DCMA trial balance.

**e. JVs.**

(1) JVs are manual entries recorded in DAI and DDRS-B/DDRS-AFS modules, as well as automated entries within DDRS-B. DFAS-CO records all entries on behalf of DCMA. DFAS-CO can record JVs in DAI throughout the fiscal period. DFAS records JVs in DDRS modules after quarter-end anytime between the end of month and production of draft statements. With limited exceptions, DFAS also prepares JV supporting documentation. Automated entries

within DDRS occur immediately after quarter-end as DFAS compiles the DCMA unadjusted and adjusted trial balance.

(2) DDRS-AFS JVs are created for multiple reasons, such as out-of-balance reconciliations, data calls, and eliminations. DDRS-AFS JVs follow a process similar to DDRS-B JVs and each is subject to multiple levels of DFAS review and signed by the appropriate approving official. Additionally, JVs will not “post” within DDRS unless someone with appropriate approver user role approves the JV.

(a) Manual JVs. DDRS-B/DDR-AFS module, process to prepare, review, and record manual JVs are the same within DDRS. DFAS initiates DDRS-B JVs after receipt of Trial Balances in the module. Typical DDRS-B JVs are a result of analysis on Trial Balance such as Treasury Tie-Point reconciliations. For each JV, DFAS prepares a supporting package with a signature page and a number of levels of review, depending on amount of the JV. Once the DFAS Approving Official approves the JV in DDRS-B, it posts to the DCMA Trial Balance.

(b) Automated JVs. DFAS performs automated JVs in DDRS on behalf of DCMA. DFAS prepares memorandums for each category of automated JV. The FBLA Staff Accountant obtains a copies of DFAS prepared memorandums and reviews them for accuracy. If the FBLA Staff Accountant objects or notes any inconsistencies, they will contact DFAS for clarification and/or correction.

(c) Data Call JVs. Certain manual DDRS JVs are based on information internal to DCMA (“Data Call” JVs). For DCMA-prepared JVs, the FBLA Staff Accountant researches the issue and proposes corrective entries. The FBLA Staff Accountant then prepares a memorandum for each JV to document rationale for the entry, attaches supporting documentation, and provides the package to the Branch Chief, FBLA for review. The Branch Chief, FBLA reviews and approves or returns the package to the FBLA Staff Accountant for correction. The FBLA Staff Accountant saves the JV package to DCMA 360 and sends a copy to DFAS-CO for recording in DDRS. After it’s recorded in DDRS, DFAS-CO sends confirmation to the FBLA Staff Accountant and reviews the system-generated confirmation to verify recording is consistent with the DCMA package.

#### **f. Subsequent Events.**

(1) No later than seven business days following the end of the month, the Branch Chief, FBLA will send a request for subsequent event notification to DCMA Component Heads via email. The request includes a link to DCMA subsequent event policy and Subsequent Event desk guide. After receipt of the request, the respective DCMA Component Head considers business events within their office against policy. If personnel believed a subsequent reportable event has occurred, a subsequent event package will be submitted within DCMA 360. The contents of package are defined in Subsequent Event desk guide.

(2) For any submissions in DCMA 360, the FBLA Staff Accountant reviews the package for compliance with subsequent event policy. FBLA Staff Accountant considers the nature of event and supporting documentation (e.g., a non-reportable versus reportable event). If an

adjusting JV is required for a reportable event, the FBLA Staff Accountant prepares a JV. The Branch Chief, FBLA reviews all reportable event JVs and documents concurrence or non-concurrence in DCMA 360.

(3) No later than 14 business days following the end of the month, the Branch Chief, FBLA will follow up with all DCMA Component Heads that have not submitted packages to confirm no subsequent events have occurred.

**g. Financial Statement Footnotes.**

(1) After all JVs are completed for 3rd and 4th quarters, DFAS prepares draft footnotes in DDRS-AFS. Within 12 business days following the end of quarter, DFAS finalizes the footnotes into DDRS-AFS. DFAS prepares footnote information from two sources, an automated direct pull from financial information within DDRS-AFS and/or from data call information from DCMA. The GL amounts automatically populate select notes in DDRS-AFS. For others, DFAS manually enters data call information into DDRS-AFS.

(2) DFAS is responsible for preparing all footnotes within DDRS-AFS, except those for significant policies, lease liabilities, contingent legal liabilities, and general PP&E. For aforementioned footnotes, FBLA assigns Staff Accountants to write and edit the footnotes. To complete the footnotes, the FBLA Staff Accountants reference the related DCMA footnote checklist and obtain supporting documentation from appropriate offices (e.g., Office of the General Counsel-legal liabilities footnote, Facilities-lease footnote, etc.). The checklist defines the appropriate support office and is updated annually. Each footnote is approved by FBL (or delegated official) and saved on DCMA 360. After approval, the FBLA Staff Accountant provides the approved footnote to DFAS.

**h. Financial Statement Variance Analysis.**

(1) Once draft statements are released, the FBLA Staff Accountant performs a Financial Statement Variance Analysis to identify potential abnormalities or errors in Financial Statements. The Staff Accountant compares variances between financial statements for current period against same period of previous fiscal year and investigates above threshold variances. DCMA has elected to use year over year variance analyses of 10 percent for fiscal quarters 1-3 and 2 percent for year-end statements.

(2) To begin the process, DFAS-Indianapolis (DFAS-IN) prepares DCMA's draft financial statements within DDRS-AFS. By the 14th workday following the 1st - 3rd quarters, and on the 14th calendar day following the 4th quarter, DFAS-IN Departmental Reporting Office completes draft financial statements and informs DCMA when financial statements are in draft status. Once in draft status, FBLA Staff Accountant obtains current and prior year statements and begins analysis. For all above-threshold variances, FBLA Staff Accountant researches business reason(s) for variance and documents within the Variance Analysis template. If during research, the Staff Accountant notes an invalid variance (e.g., an error), the Staff Accountant takes corrective action based on materiality. The Staff Accountant works with DFAS-CO on all material errors to process a correcting JV. For immaterial errors, the Staff Accountant works to

correct the issue for future reporting periods. After completion, the Staff Accountant submits their analysis to the Branch Chief, FBLA for review and approval. The Branch Chief, FBLA digitally signs corresponding document(s) in Portable Document Format and uploads to DCMA 360, along with associated working papers.

**i. Standard Guidance Checklist.** In addition to Variance Analysis in the 3<sup>rd</sup> and 4<sup>th</sup> quarters, Staff Accountants also complete a financial statement checklist to assess logical relationships between lines on financial statements to determine if any material errors are present. The checklist is provided by the Office of the Under Secretary of Defense (OUSD) Comptroller (OUSD(C)) as part of quarterly guidance and based on GAO FAM Federal Disclosure and Reporting checklist. For each question, the Staff Accountant performs appropriate research and documents a response. If any errors are noted, the Staff Accountant takes appropriate action as outlined in Variance Analysis section. After completion, the Staff Accountant submits the checklist for the Branch Chief, FBLA review and approval. The final checklists are consolidated for submission to DFAS-CO with due dates for the checklist provided in quarterly guidance from DFAS-CO.

**j. DCMA Final Financial Statements.** To complete financial statements IAW DoD and OMB requirements, DFAS requires all changes to statements to be completed by 17<sup>th</sup> workday for quarters 1-3 and the 17<sup>th</sup> calendar day for quarter 4. After completing a review of the Virtual Binder, the FBL Director (or delegate) sends DFAS-IN Agency-Wide office a statement confirming DCMA's acceptance of the financial statements, indicating no further changes are required.

**k. Government-wide Treasury Account Symbol (GTAS) Adjusted Trial Balance.** Annually, DoD fiscal year Financial Statement and Audited Financial Reporting Schedule is published to the OUSD(C) website. Guidance requires monthly submission of adjusted trial balances to the U.S. Treasury's GTAS. DFAS prepares and submits the DCMA adjusted trial balance to Treasury from DDRS-B.



## **SECTION 7: FUND BALANCE WITH TREASURY**

### **7.1. RECONCILIATION PROCESS.**

a. The responsible FBB Budget Analyst pulls the Funding Authorization Document (FAD) (7200-Level) issued by OUSD(C) from the Funds Distribution System. The responsible FBB Budget Analyst creates FADs at Limit-Level in the Funds Distribution System for total appropriated amount. The FBB Budget Analyst forwards all FADs to the Director, FBB (or delegated FBB official) for review/approval.

b. The Director, FBB (or delegated FBB official) reviews/approves FADs and provides a digital signature on the FADs within one week of receipt. The Director, FBB (or delegated FBB official) returns signed documents for the FBB Budget Analyst to file in the appropriate FBB 360 site.

c. Within three days of receipt of the approved listing of FADs from the Director, FBB (or delegated FBB official), the responsible FBB Budget Analyst inputs appropriations/allocation information and uploads FADs into DCMA accounting system.

d. On a monthly basis, the responsible FBLA Staff Accountant performs a three-way reconciliation between FADs, DCMA's approved appropriations/allocation information, and FBWT to ensure accuracy of appropriations data. Evidence of review/reconciliation is dated and archived in appropriate FBLA 360 site.

### **7.2. PROCESS FOR CHANGES TO APPROPRIATION DATA.**

a. Upon notification of a revised FAD, the responsible FBB Budget Analyst pulls the revised FAD (7200-Level) issued by OUSD(C) from Funds Distribution System. The responsible FBB Budget Analyst creates the revised FAD at Limit-Level in the Funds Distribution System for a total revised appropriated amount. The FBB Budget Analyst forwards all revised FADs to the Director, FBB (or delegated FBB official) for review/approval.

b. The Director, FBB (or delegated FBB official) reviews/approves the revised FADs and provides a digital signature on the FADs within one week of receipt. The Director, FBB (or delegated FBB official) returns signed documents to FBB Budget Analyst who files in appropriate FBB 360 site.

c. Within three days of receipt of the approved revised listing from the Director, FBB (or delegated FBB official), the responsible FBB Budget Analyst inputs revised appropriations/allocation information and uploads the revised FADs into the DCMA accounting system. The FBB Budget Analyst notifies FBLA and DFAS that the approved DCMA revised appropriations/allocation information and revised FADs are available for access in DCMA accounting system.

d. The responsible FBB Budget Analyst maintains a funding letter of all changes to DCMA's appropriation information. A copy of the funding letter is dated and archived in appropriate FBB 360 site.

## SECTION 8: REPORTING VIOLATIONS

### 8.1. REPORTING REQUIREMENTS.

**a. Overview.** Suspected violations must be reported to the FB Directorate, as appropriate. Any person who is aware of a potential violation is responsible for forwarding a report to the appropriate fund holder or FB representative (to include FBB or FBL). This report will form the basis for fund holder reports to the Executive Director, FB on violations or apparent violations of legal or administrative control limitations.

(1) Fund holders must prepare a formal report in memorandum format and make distributions IAW DoD 7000.14-R, DoD Financial Management Regulations (FMRS), Volume 14.

(2) All formal reports and related material must be marked for official use only (FOUO) using the label “FOUO – FOR OFFICIAL USE ONLY.”

(3) Subsequent actions taken to correct cause of a violation do not eliminate the violation; it still must be reported.

#### **b. Actions Required After Violations Are Reported.**

(1) Fund Holder Notifications. The responsibility of the fund holder concerning a reportable violation does not end when they report the violation. Fund holders ensure FBL and FBB are notified to take immediate action to lessen the impact of the violation(s). Such measures include, but are not limited to:

- (a) Canceling sufficient noncritical obligations to eliminate shortfall.
- (b) Initiating contract modifications to reduce or terminate sufficient items that do not represent critical requirements.
- (c) Requesting additional funding through FBB.

(2) Apparent Violations Caused by Accounting Errors. If FBL concludes that the apparent violation was the result of an accounting error after reviewing circumstances surrounding the apparent violation of legal limitation or administrative control level limitation and applying facts to applicable laws and directives, the fund holder, in coordination with FBB and FBL, must prepare a memorandum explaining the circumstances, violation, and corrective actions taken or planned. The memorandum must also include the specific contract, purchase order, travel order, or another type of procurement instrument that was obligated or paid incorrectly; the account (e.g., fund type, Annual Funding Program (AFP), USSGL code, program code, and construction project number or all equipment not related to the construction, when applicable) to which the correction entry charged the obligation or payment; the date and document references of both the erroneous and correction entries; and the name and title of the approving official for the corrections entry.

(3) Apparent Violations Caused by Inappropriate Withdrawal of Funds. An excessive or invalid reduction in an allotment or AFP (e.g., an erroneous withdrawal of funds in excess of allotted or unobligated balance) is not a violation if they meet certain conditions:

(a) An additional obligation has not been authorized or incurred against funds.

(b) Withdrawn funds are immediately restored or made available through de-obligation, in the same account from which the funds were withdrawn, and in sufficient amount to cover obligations previously authorized or incurred. Headquarters program offices are responsible for obtaining certification of funding availability with fundholders prior to withdrawing funds through allotment and/or the AFP process.

## GLOSSARY

### G.1. DEFINITIONS.

**Allocation.** A delegation authorized by law giving one Agency the authority to obligate budget authority and outlay funds to another Agency.

**Appropriation.** An authorization by act of Congress to incur obligations for specified purposes and to make disbursements thereof out of the Treasury.

**Expenditure.** A payment made to liquidate an obligation.

**FBWT Reconciliation.** A specific reconciliation of actual accounting transactions (including funding, disbursements, collections, and transfers) back to detailed amounts posted to both entity GLs and entity Treasury accounts (USSGL accounts 101000 and 109000). A reconciliation involves identifying and comparing accounting events or transactions to determine whether transactions are correctly recorded and can be cleared, have not yet been recorded (in-transit), or were recorded improperly and required correction in GL or at Treasury.

**IUS.** Programs and other operating software used by a computer that has been acquired, internally developed, or modified exclusively to meet internal needs.

**JV.** A document on which is stored the essential information about an accounting transaction.

**Obligation.** Legal requirement to pay orders placed, contracts awarded, services received, and similar transactions. Any act that legally binds the government to make payment creates an obligation.

**Obligation documentation.** Documentation that supports an obligation. Examples include contracts, purchase orders, Military Interdepartmental Purchase Requests, and credit card purchases.

**Reconciliation.** A process that compares two or more sets of records, and identifies and explains differences between records or account balances. A reconciliation is not complete until all differences are identified, explained, aged, and accountability is assigned. Once reconciliations are complete, appropriate adjustments may need to be documented and made to records.

**Service and Organization Control-1 Report Target Unit (TU), formerly Administrative Target Unit (ATU).** Report on controls at a service organization which are relevant to user entities' internal controls over financial reporting.

**Subsequent Event.** Occurrence after a reporting period, but before the financial statements for that period have been issued or are available to be issued.

**Treasury Tie-Point.** A series of standard USSGL accounting relationships used to detect variances and USSGL issues.

**GLOSSARY****G.2. ACRONYMS.**

AFP	Annual Funding Program
CIP	Construction in Progress
CMR	Cash Management Report
CUEC	Complementary User Entity Control
DAI	Defense Agencies Initiative
DDRS	Defense Departmental Reporting System
DDRS-AFS	Defense Departmental Reporting System – Audited Financial Statements
DDRS-B	Defense Departmental Reporting System - Budgetary
DFAS	Defense Finance and Accounting Service
DFAS-CO	Defense Finance and Accounting Service-Columbus
DFAS-IN	Defense Finance and Accounting Service-Indianapolis
DPAS	Defense Property Accountability System
FAD	Funding Authorization Document
FAM	Financial Audit Manual
FB	Financial and Business Operations
FBB	Budget Division
FBL	Chief Financial Officer Compliance and Accounting Division
FBLA	Reports and Analysis Branch
FBWT	Fund Balance With Treasury
FFMIA	Federal Financial Managers’ Integrity Act
FOUO	for official use only
GAO	U.S. Government Accountability Office
GL	General Ledger
GTAS	Government-wide Treasury Account Symbol
IAW	in accordance with
IUS	internal use software
JV	Journal Voucher
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
ODO	Other Defense Organizations
OMB	Office of Management and Budget
OSD(C)	Office of Under Secretary of Defense (Comptroller)

PMO	Project Management Office
PP&E	Property, Plant, and Equipment
SFIS	Standard Financial Information Structure
SFFAS	Statement of Federal Financial Accounting Standards
USSGL	United States Government Standard General Ledger
WIP	Work in Progress



**REFERENCES**

Department of the Treasury, Financial Management Service, Treasury Financial Manual, current edition

DoD Directive 5105.64, "Defense Contract Management Agency (DCMA)," January 10, 2013

Office of Management and Budget Circular No. A-127, "Financial Management Systems,"

January 9, 2009

Public Law 108-130, "Federal Financial Managers' Integrity Act (FFMIA) of 2004", October 16, 2004

Statement of Federal Financial Accounting Standards 6: Accounting for Property, Plant, and Equipment, November 30, 1995