

Bulletin: OCFO 17-04

Date: July 31, 2017

To: USDA Agencies

Subject: Controls Over Abnormal Balances

PURPOSE

The purpose of this bulletin is to update Departmental guidance for USDA agencies to improve the process for reviewing, researching, and timely implementing action to correct abnormal balances.

DEFINITIONS

General Ledger Account: The United States Standard General Ledger (USSGL) chart of accounts provides the basic structure for recording transactions in the general ledger. It incorporates both proprietary and budgetary sets of self-balancing accounts (the total debits equal total credits). It includes the account number, account title, and the normal balance (debit or credit) for both proprietary and budgetary accounts.

The normal balance of a general ledger account can be either a debit or credit balance. It is acceptable in certain instances for an account to have both. The following table lists the major categories of the general ledger accounts and their normal balances:

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

* Contra accounts carry balances that are intended to offset the balance of a related account, e.g. a contra-asset account has a credit balance and offsets the debit balance of the corresponding asset.

Abnormal Balance: *A general ledger account balance is abnormal when the reported balance does not comply with the normal debit or credit balance established in the USSGL chart of accounts.* For example, Accounts Receivable normally have a debit balance; therefore, a credit balance is an abnormal balance. An abnormal general ledger account balance is an accounting irregularity caused by the incorrect posting of transactions or by an operational issue such as over-obligation.

BACKGROUND

The Office of the Inspector General (OIG) noted in their Fiscal Year (FY) 2016 audit report that the Department has a significant deficiency involving the internal control over financial reporting related to abnormal balances.

In the FY 2016 report, the OIG reviewed balances with an absolute value of approximately \$337 million that were not fully researched and corrected. Because the existence of an abnormal balance indicates that transactions or adjustments may have been posted in error, which increased the overall risk of material misstatements on the financial statements, the Office of the Chief Financial Officer (OCFO) is providing guidance to ensure that agencies are properly reviewing, researching, and timely implementing actions to correct all abnormal balances.

RESPONSIBILITIES

The Chief Financial Officer (CFO) or designee of each USDA organization is responsible for reviewing, researching, and timely implementing action to correct abnormal balances.

The Department’s OCFO is responsible for oversight to ensure that each USDA organization reviews, researches, and timely implements actions to correct abnormal balances.

POLICY

The Financial Statements Data Warehouse (FSDW) abnormal balance report shall be reviewed monthly to identify general ledger accounts with abnormal balances greater than \$1 million by Treasury Symbol. Explanations and actions required to correct abnormal balances shall be submitted to OCFO by the end of each subsequent month in accordance with the procedures outlined in this bulletin.

PROCEDURES

Run the Abnormal Balance by Treasury Symbol Report from FSDW using Financial Management Modernization Initiative (FMMI) and review the report for abnormal balances that exceed the established \$1 million threshold.

Determine the cause of the abnormal balance and if corrective action is required. If the abnormal balance requires correction, then provide a detailed explanation and the actions necessary to correct, date the corrective actions will be completed, and the individual responsible for correction. Examples of abnormal balances requiring corrective action include Suspense Accounts and Continuing Resolutions (CR). If the abnormal balance requires no correction, then provide a detailed explanation. Prepare the abnormal account balances [Detail and Summary](#) schedules in the prescribed format attached for balances Requiring Corrective Action and Not Requiring Corrective Action that only exceed the established \$1 million threshold, as follows:

Abnormal Account Balances Detail

Treasury Symbol
GL Account
Name
Normal Balance
Financial Amount at True Value
Financial Amount at Absolute Value
Explanation
Action Required
Action to be Completed by Date
Individual Responsible

Abnormal Account Balances Summary

Treasury Symbol
Account Title
Number of Accounts with Abnormal Balances
Absolute \$ Value of Abnormal Balances

Submit the abnormal account balances detail and summary schedules, including FSDW [Abnormal Balance by Treasury Symbol Report](#) to OCFO by the 25th day of the following month or next business day.

Actions required to correct abnormal balances should be completed by the end of the month following the month that is being reported.

INQUIRIES

Any question concerning this bulletin should be directed to Dion Carter at Dion.carter@cfo.usda.gov or (202) 720-4039.

EFFECTIVE DATE

This bulletin supersedes OCFO Bulletin 12-01, dated 10/4/2012 and is effective immediately.

/s/

STANLEY MCMICHAEL
Associate Chief Financial Officer for Financial Operations

Attachment