



Bulletin: OCFO 12-01

Date: October 4, 2012

To: USDA Agencies

Subject: Controls Over Abnormal Balances

## PURPOSE

The purpose of this bulletin is to update Departmental guidance to 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. 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 has 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 certain matters, including abnormal balances, involving the internal control over financial reporting and its operation that were considered to be significant deficiencies and material weaknesses in its fiscal year 2010 audit report.

Abnormal balances were identified in the USDA fiscal year-end trial balance that were not fully researched and corrected. According to the Department, the existence of an abnormal balance indicates that transactions or adjustments may have been posted in error. In addition, abnormal balances increase the risk of material misstatement on the financial statements.

OIG recommended additional oversight to ensure that agencies are properly reviewing, researching, and timely implementing action to correct abnormal balances.

## **RESPONSIBILITIES**

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

The Office of the Chief Financial Officer (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 (Attachment 1) on the FSDW Reporting Center and review the report for abnormal balances that exceed the established threshold.

Investigate the cause of the abnormal balance to determine whether or not it requires corrective action. If the abnormal balance requires correction, then determine what actions are required and complete at once. If the abnormal balance results from an incomplete process, for example, to temporarily hold transactions in clearing accounts,

i.e., suspense until they are classified to the proper receipt or expenditure account, then indicate next steps in the process. Otherwise, indicate no action required.

Prepare the Abnormal Account Balances Detail and Summary schedules (Attachments 2 and 3) in the prescribed format for Balances Requiring Corrective Action, In Process, and Not Requiring Action 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.

**INQUIRIES**

Any questions concerning this bulletin should be directed to Hesham Abdelaziz at [hesham.aziz@cfo.usda.gov](mailto:hesham.aziz@cfo.usda.gov) or (202) 720-1888.

**EFFECTIVE DATE**

This bulletin supersedes OCFO Bulletin 11-02, Controls Over Abnormal Balances, dated July 11, 2011, and is effective immediately.

/S/

JOHN G. BREWER  
 Associate Chief Financial Officer for Financial Operations

Attachments

**Department of Agriculture  
Agency  
Abnormal Balance by Treasury Symbol Report  
Period Ending Month/Year**

<b>GL Account</b>	<b>Name</b>	<b>Normal Balance</b>	<b>Actual Balance</b>	<b>Amount</b>
-------------------	-------------	-----------------------	-----------------------	---------------

**Agency**  
**Abnormal Account Balances Detail**  
**As of Month/Year**

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

**REQUIRING CORRECTIVE ACTION**

--	--	--	--	--	--	--	--	--	--

	Subtotal		\$0.00	\$0.00	
--	----------	--	--------	--------	--

**IN PROCESS**

--	--	--	--	--	--	--	--	--	--

	Subtotal		\$0.00	\$0.00	
--	----------	--	--------	--------	--

**NOT REQUIRING ACTION**

--	--	--	--	--	--	--	--	--	--

	Subtotal		\$0.00	\$0.00	
--	----------	--	--------	--------	--

	Grand Total		\$0.00	\$0.00	
--	-------------	--	--------	--------	--

**Agency**  
**ABNORMAL ACCOUNT BALANCES SUMMARY**  
**As of Month/Year**

**REQUIRING CORRECTIVE ACTION:**

<u>Treasury Symbol</u>	<u>Account Title</u>	<u>Number of Accounts With Abnormal Balances</u>	<u>Absolute \$ Value of Abnormal Balances</u>
	SUB TOTAL	0	\$ -

**IN PROCESS:**

<u>Treasury Symbol</u>	<u>Account Title</u>	<u>Number of Accounts With Abnormal Balances</u>	<u>Absolute \$ Value of Abnormal Balances</u>
	SUB TOTAL	0	\$ -

**NOT REQUIRING ACTION:**

<u>Treasury Symbol</u>	<u>Account Title</u>	<u>Number of Accounts With Abnormal Balances</u>	<u>Absolute \$ Value of Abnormal Balances</u>
	SUB TOTAL	0	\$ -
	GRAND TOTAL	0	\$ -

Prepared by: /s/ \_\_\_\_\_

Date

Certified by: /s/ \_\_\_\_\_

Date