



Bulletin: OCFO 11-03

Date: September 13, 2011

To: USDA Agencies

Subject: Internal Controls Over General Ledger Adjustments in the Financial Management
Modernization Initiative

PURPOSE

The purpose of this bulletin is to provide guidance for proper internal controls over General Ledger (G/L) adjustments and accruals. Under this revised policy, USDA agencies must ensure that proper internal controls are in place when a G/L adjustment or accrual records a correction, adjustment, or estimate in the Financial Management Modernization Initiative (FMMI).

BACKGROUND

G/L adjustments and accruals can be posted manually or via automated interfaces, such as Payroll, CPAIS, or IAS.

Transactional posting within the G/L can include the following postings:

- Postings to record audit adjustments
- Adjustment postings to correct previously posted transactions
- Reversal of documents
- Certain interface postings

The Month-End Closing process may include the following postings:

- Accruals to record revenues and expenses at the end of the month for customer and vendor invoices that have not been sent or received
- Adjustments to correct completed financial transactions posted to the G/L
- Assessments to allocate costs manually from one cost center to another cost center, ensuring that costs are assigned to appropriate receivers

Depending on the degree of decentralization, an agency can process G/L adjustments at the headquarters level or at the lowest field level. Agencies can also delegate the preparation of G/L adjustments to the Associate Chief Financial Officer – Financial Operations/Controller Operations Division (ACFO-FO/COD), who can process certain documents on the agency's behalf.

RESPONSIBILITIES

Agencies are responsible for the quality and integrity of the financial data in FMMI. Numerous online capabilities, as well as report generation features through the baseline application and the Financial Statement Data Warehouse (FSDW), support agency monitoring of financial data.

POLICY

No G/L adjustment or accrual meeting the criteria of a correction, adjustment, or estimate should be processed in FMMI without the benefit of a detailed analysis and supporting documentation. Supporting documentation must be complete so that it does not require further research.

PROCEDURES

Documentation

The detailed analysis and supporting documentation, if applicable, should include any calculations, analysis performed, corroborating e-mails, or Departmental guidance used to justify the transaction. For example, the analysis may be in the form of a reconciliation that details an out-of-balance condition. In this case, a copy of the reconciliation work papers must be included as support, along with an explanation as to how the out-of-balance condition came to be.

Each agency must also design a hardcopy adjustment form that is auditable and supports management reviews. At a minimum, the form must include all of the following elements:

- The G/L adjustment number that is automatically assigned by FMMI when the document is preposted and/or posted
 - Date the G/L adjustment is prepared
 - Purpose of the G/L adjustment, including whether the transaction should be self-reversing and, if so, the reversal period. Each document may have multiple entries, but must have a single purpose reflected in the supporting document that must be attached to the adjustment form.
- Note:** For the correction of an error, the purpose must specifically explain why the adjustment is necessary and should include enough information to allow a reviewer or auditor to identify the original erroneous transaction. The FMMI document number of the erroneous transaction should be listed, along with any other related documents.
- Signature blocks and dates of signatures for the preparer and approver

The preparer must attach a screen print of the document to the adjustment form, along with the supporting documentation. The adjustment form and supporting documentation must be kept at the location where they were originally prepared and recorded in FMMI.

Documents entered on behalf of the agency by ACFO-FO/COD must be returned to the requesting agency with the proper approval signatures for retention in agency files. The storage of this information must be accessible to facilitate research efforts and auditor inquiries. It is also recommended that agencies store supporting documentation in an electronic format so that it can be easily transmitted to other interested parties. Management must periodically review adjustment files and reports to ensure controls are effective. Adjustment files must be accessible for 6 years to support management reviews and audits.

This documentation requirement applies to all adjustments, including year-end adjustments, Period 13 and 14 adjustments, and CSXE adjustments.

Authorization

All permanent adjustments are entered through the park and approve process. The G/L Processor creates a G/L Account Document for the adjustment. After validating the G/L Account Document, the G/L Processor parks the G/L Account Document. The G/L Approver reviews parked G/L Account Documents for accuracy. The G/L Approver approves and posts parked G/L Account Documents, and rejects inaccurate Parked G/L Account Documents. The G/L Processor should be notified when a parked G/L Account Document is rejected.

Accruals do not go through the park and approve process. The G/L Approver manages the accruals process in FMFI. The G/L Approver creates, posts, and reverses accruals.

Security Model

All agency FMFI Security Administrators shall implement security roles that limit access to G/L Account Documents.

INQUIRIES

Any questions concerning this bulletin should be directed to Joe Giorlando at (504) 426-5491.

EFFECTIVE DATE

This bulletin is effective immediately.

/S/

JOHN G. BREWER

Associate Chief Financial Officer for Financial Operations