

DESK OPERATING PROCEDURE 089
CFO/CIVIL REPORTS DIVISION

AUDITED FINANCIAL STATEMENTS (AFS)
COMPILATION PROCESS

1. References:

- a. Chief Financial Officers Act of 1990
- b. OMB Circular A-136 Financial Reporting Requirements
- c. DoD Financial Management Regulation 7000.14-R, Volume 6B
- d. DoD Financial Management Regulation 7000.14-R, Volume 6A
- e. DoD Directive 5010.38, Management Controls (MC) Program
- f. DoD Instruction 5010.40, Management Controls (MC) Program Procedures
- g. Treasury Financial Manual, Volume 1
- h. 41 U.S.C. 612, Subsections 612(a) and 612(b)
 - i. Office of the Secretary of Defense (OSD), Quarterly Guidance, as published for respective reporting period
 - j. USACE Standard Operating Procedure 093, Reconciling Intragovernmental Expenses
 - k. USACE Standard Operating Procedure 094, Reconciling Intragovernmental Revenue
 - l. USACE Standard Operating Procedure 095, Preparation of Quarterly & Annual CFO Trust Fund Financial Statements
 - m. USACE Standard Operating Procedure 108, Reconciliation of Accounts Payable
 - n. USACE Standard Operating Procedure 109, Reconciliation of Accounts Receivable
 - o. USACE Standard Operating Procedure 161, Preparation of DDRS Import Sheets

2. All processes with regard to the Audited Financial Statements (AFS) Compilation Process will be completed in accordance with the OSD Quarterly Guidance as published for the respective reporting period. The Quarterly Guidance is updated quarterly by OSD and a copy is maintained on the shared drive at: My Network Places/FYXX/DFAS Guidance/XXQTRFYXX.
3. It is mandatory that each CFO Accountant act within the guidelines of the referenced regulations and this SOP to maximize the credibility of the submitted reports. Any discrepancies or variances should be brought to the attention of the Chief, CFO/Civil Reports Division upon identification, along with proposed action for efficient and effective resolution.
4. Financial events, e.g. receipt of funds, creation of a purchase request, contract award, receipt of goods, generation of a bill, collections and disbursements are recorded in the 59 Corps of Engineers Financial Management System (CEFMS) databases on a daily basis.
5. The transaction entered is linked to two or more general ledger account codes based upon a predetermined set of identified conditions, commonly referred to as the CEFMS account phase code.
6. The general ledger account balances are updated nightly through the CRON jobs. This update is invisible to the CEFMS user.
7. At month end, each district's CEFMS general ledger trial balance is transmitted to Corps of Engineers Enterprise Management Information Systems (CEEMIS) through a table-to-table transfer.
8. CEEMIS consolidates the individual district's account balances for each appropriation symbol to create general ledger account balances at the appropriation symbol level. This consolidation of account balances facilitates upward reporting.
9. The US Army Corps of Engineers (USACE) has identified eight appropriation groupings for general ledger trial balance reporting through the Defense Departmental Reporting System (DDRS) to DFAS for consolidation of the DoD-wide financial statements. The eight adjusted trial balances (ATB's) are:

AT96AT11	Special Funds
AT96AT12	Trust Funds
AT96AT13	Transfer Funds
AT96AT14	Borrowing Authority
AT96AT15	Revolving Fund
AT96AT16	Contributed Fund
AT96AT17	General Funds

AT96AT2 Formerly Utilized Sites Remedial Action Program (FUSRAP)

Transfer funds are now reported by the parent agencies as required for parent/child relationships, in accordance with OMB Circular A-136, "Financial Reporting Requirements." The circular requires the parent agency, vice the child, report all financial activity in its financial statements. Therefore, USACE removed the transfer appropriation accounts from its financial statements effective the 1st Quarter, FY 2007.

10. After all districts have transferred their pre-closing and post-closing (yearend only) trial balances to CEEMIS, pre-closing and post-closing trial balances are generated in CEEMIS at the corporate appropriation symbol level. A DDRS Summary general ledger is generated in CEEMIS to total the appropriations included in each ATB grouping. CEFMS only produces a post-close general ledger at yearend. A closing routine is run in CEEMIS on a quarterly basis to produce a post-close trial balance in order to create the balance sheet.

11. The financial statement compilation process consists of three major subprocesses: the quarterly reconciliation and reporting of intragovernmental transactions; the development of trial balances to produce the quarterly statements and footnotes in DDRS; and the submission of the Federal Agencies Centralized Trial Balance (FACTS I) to the Department of Treasury. FACTS I submission is at fiscal yearend only.

12. The first step in the compilation process is the reconciliation of intragovernmental transactions. Since CEFMS captures detailed data at the transaction level, we have received a waiver from the requirement that the buyer must reconcile and adjust his records to the seller's records. This means that we must provide DFAS with the open payables and expenses that we have recorded with other DOD activities. We then retrieve and reconcile the seller-side data for DOD activities as well as both the buyer and seller data for other Federal agencies. Reference desk operating procedure # 093, **Reconciling Intragovernmental Expenses, # 094-R, Reconciling Intragovernmental Revenue, # 108, Reconciliation of Accounts Payable, and # 109-R, Reconciliation of Accounts Receivable..**

13. The post-closing trial balance is used to produce the Balance Sheet. The pre-closing trial balance is used to produce to the Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources. The Statement of Budgetary Resources is the same report as the SF133, with the exception of a line for offsetting collections and receipts. The SF133 is reported by appropriation in the Federal Agencies Centralized Trial-balance System (FACTS II). CEFMS general ledger accounts and associated attributes are maintained in a table in CEEMIS. Accountants run a query on this table and the general ledger trial balance to produce the accounts, attributes and amounts that are loaded into the Defense Departmental Reporting System (DDRS).

Statements are produced from the DDRS system. Not all budgetary accounts in CEFMS will update the SBR/SF133. CEFMS uses the 4500 series accounts, which are for agency use only and are not in the table or crosswalk to produce the SBR/SF133.

14. The Statement Spreadsheets include a report format for each statement to be produced. Each report line on each statement includes the CEFMS general ledger account at the 6-digit level cross-referenced to the USSGL 4-digit level account. Additional attributes, as required, are included to facilitate the creation of footnote data in DDRS. The attributes include distinguishing between federal and public account balances, entity and non-entity assets, and funded and unfunded liabilities.

15. The Statement Spreadsheets are generated in CEEMIS from the general ledger trial balances. The statement spreadsheets are used to ensure that the Balance Sheet, Statement of Net Cost and Statement of Changes in Net Position are in agreement. A quarterly review of the Statement Spreadsheet mapping will be conducted approximately at the beginning of the third month of each quarter to ensure that all CEEMIS general ledger accounts and corresponding U.S. Standard General Ledger accounts with attributes are included. Discrepancies are to be brought to the attention of the Chief, CFO/Civil Reports Division and appropriate action taken to resolve.

16. After generating the Statement Spreadsheets, verify that the financial statements are in agreement. Verify that net cost reflected on the Statement of Net Cost and the Statement of Changes in Net Position is the same on each statement. Also, verify that the ending Net Position on the Statement of Changes in Net Position agrees with the Net Position reflected on the Balance Sheet

17. If the statements are not in agreement, you must research to determine the cause(s) for the differences. First, check the CEEMIS general ledger edit rejects, as the differences are frequently identified in the rejects.

18. If the difference is not identified by the edit rejects, you should then query the individual district's databases and compare the fiscal year transaction totals with the changes in the general ledger account balances for each appropriation symbol.

a. To do this, first query the CEEMIS general ledger table for the general ledger account balances at the end of the current fiscal year and at the end of the prior fiscal year. Import the query results into an EXCEL spreadsheet and create a pivot table to summarize the totals and calculate the change in each general ledger account balance.

b. Access RMF22 to query all CEFMS databases for the transactions that updated the appropriation symbol during the current fiscal year. The query

named glfyxx.sql (where xx is equal to the last two digits of the fiscal year being queried) pulls transactions from the joined transaction register and summarizes them by account phase code and general ledger account.

c. Compare the query results with the change in the general ledger account balance. If no discrepancy is detected, then analyze each type of transaction to determine whether or not the general ledger accounts that were updated were correct. For example, if a transaction changed the value of an asset but had no offsetting adjustment to a gain, loss or transfer, the update to the asset will create a difference on the Statement of Financing to Net Cost.

d. Document adjusting entries required to reconcile the Statement Spreadsheets and post the adjustment to the Statement Spreadsheet, or entered as a correcting entry in DDRS.

19. The automated trial balance import sheet is generated in CEEMIS from a table that maps the general ledger accounts with necessary attributes specific to each account. The CEEMIS generated import sheet is copied to the trial balance import sheet received from DFAS in the quarterly guidance. If prior year adjustments were made in DDRS that updated USSGL 3100 - Unexpended Appropriations, USSGL 3310 – Cumulative Results of Operations, and/or USSGL 4201 – Total Resources Collected, these adjustments must be factored into the CEEMIS account balances on the Statement Spreadsheets and the DDRS Import Sheet. The CFO accountant will prepare a reconciliation between the year-end CEEMIS and DDRS account balances for the unexpended appropriations, the cumulative results of operations and total resources collected. The reconciliation will then be used to prepare a manual journal voucher to document the adjustment to the DDRS import sheet. The voucher must be signed, dated and have appropriate backup documentation. The DDRS import sheet will not balance until the prior year adjustments are included. Reference desk operating procedure #161, **Preparation of DDRS Import Sheets**.

20. When the trial balance import sheet is completed, it is electronically transmitted into DDRS via file transfer protocol. If the transmission is accepted, the DDRS database is automatically recalculated to update the general ledger account balances in DDRS.

21. After the DDRS import sheet has been uploaded and accepted in DDRS, the CFO accountant should print the standard and Section V reconciliations showing all out of balance conditions. As adjusting entries are made, the accountant should document all journal voucher numbers and amounts that cleared the difference. The documented reconciliations should then be reviewed and approved by the Chief, CFO/Civil Reports Division. If the difference is not cleared, the accountant should explain why the difference is acceptable. This explanation will also be included in the Reconciliation Explanations in DDRS.

22. Any prior year adjustments that were brought forward to current year in order to reconcile the beginning net position or unexpended balance are reversed in DDRS with a journal voucher.

23. Any current year adjustments not reflected in CEFMS are recorded as DDRS Journal Vouchers in accordance with DFAS guidance and DOD FMR, Volume 6A, Chapter 2. Adjustments should include an explanation for the adjustment, supporting documentation, the date and proper approval. The following recurring adjustments are required to be made in DDRS for transactions not recorded in CEFMS:

a. Trust Fund Investments – In accordance with the Treasury Financial Manual (TFM), Volume 1, Part 2, Chapter 4000, paragraph 4030.50, **Trust Fund Accounts**, the USACE has been designated by the Treasury Department as the lead program agency for Inland Waterways and Harbor Maintenance trust funds, Treasury managed accounts. The Trust Fund Management Branch of the Bureau of Public Debt (BPD) provides adjusted trial balances for trust fund activity in the Inland Waters, Harbor Maintenance and South Dakota Terrestrial Wildlife Restoration account. (The South Dakota fund is managed by Treasury on behalf of USACE.) We must include the trust fund data provided by the BPD. These adjustments are included in DDRS ATB AT96AT12. Reference desk operating procedure #095, Preparation of Quarterly & Annual CFO Trust Fund Financial Statements.

b. Federal Employees Compensation Act (FECA) Expenses and Liabilities – The Department of Labor provides liability, expense, and actuarial liability amounts for workmen's compensation to DFAS-Indianapolis, who in turn provides the data to each DOD activity. We then record the liabilities and expenses in the DDRS ATB AT96AT17.

c. OPM Employer Benefits Expense and Accrued Liabilities – DFAS-Indianapolis provides the OPM employer benefit expenses and accrued liabilities for the fiscal year. We extract the SGL account balance for general ledger account code (GLAC) 6400 from each appropriation grouping and prorate the amount provided by DFAS to each of the ATB's having balances in GLAC 6400. The accrued liability and associated expense is recorded in DDRS ATB AT96AT15. Imputed costs and financing for OPM administered retirement benefits are also recorded in DDRS ATB AT96AT15.

d. Borrowing Authority – The Washington Aqueduct has executed three promissory notes with the Treasury Department to fund capital improvements to the aqueduct. Revenues received from Arlington County, Falls Church, VA and the District of Columbia repay the notes. The outstanding principal balance, current interest expense and accrued interest payable amounts are reconciled with the Treasury Department. Since CEFMS is not programmed to accommodate transactions unique to borrowing authority, we must record the

adjustments to reflect the interest expense, principal payable and interest payable in the financial statements. These adjustments are recorded in DDRS ATB AT96AT14.

e. Judgment Fund Liabilities – Reference the TFM, Volume 1, Part 6, Chapter 3100, ***Certifying Payments and Recording Corresponding Intragovernmental Receivables in the Federal Government's Judgment Fund***. The payment of Contract Disputes Act (CDA) claims is governed by 41 U.S.C. 612. Subsections 612(a) and 612(b) provide that awards made by federal boards of contract appeals and judgments made by federal courts will be paid from the permanent indefinite appropriation commonly referred to as the "Judgment Fund which was established by 31 U.S.C. 1304. Subsection 612(c) provides that CDA payments made on behalf of federal agencies by the Judgment Fund pursuant to subsections (a) and (b) shall be reimbursed to the Fund." CEFMS is programmed to record unfunded liabilities that are owed to the Judgment Fund account as a result of contract dispute awards through the Department of Justice. The liabilities and future funded expense must be recorded in DDRS to the appropriate DDRS ATB for any liabilities not yet recorded in CEFMS, in order to report the full amount owed to Treasury. Imputed cost and financing amounts are also recorded in DDRS to reflect judgment fund transactions that are not required to be reimbursed to the Treasury.

f. Intangible Assets – The USACE classifies land procurement costs such as temporary easements, temporary lesser interest, resettlements, damages and the Governmental costs of acquiring temporary lands and land rights associated with hydroelectric projects as intangible assets and amortizes those costs. However, these amounts must be reclassified as land for power account reporting in accordance with Federal Energy Regulatory Commission guidance. Therefore, balances in general ledger accounts 1990.70, 1990.79 and 6710 must be analyzed to determine the adjustments required to reclassify these amounts. The adjusting entry is recorded to DDRS ATB AT96AT17.

g. Environmental Liabilities - The USACE is responsible for the Formerly Utilized Sites Remedial Action Program (FUSRAP), which was established to respond to radiological contamination from early U.S. Atomic Energy and Weapons Program. The amount of the liability is determined after studies have been completed and final Records of Decision documenting the cleanup requirements are prepared. The amount of the liability is recorded as Other Accrued Environmental Liabilities in DDRS ATB AT96AT2. The current and non current amount of the FUSRAP liability is provided by USACE Headquarters at the end of each quarter. Headquarters also provides the amount of non FUSRAP liabilities that are recorded in DDRS ATB AT96AT17.

h. Contingent liabilities - The USACE is a party in various administrative proceedings and legal actions, with claims including environmental damage claims, equal opportunity matters, and contractual bid protests. The USACE accrues contingent liabilities for legal actions where USACE Office of the General Counsel (OGC) considers an adverse decision probable and the amount of loss is measurable. OGC provides an updated listing of cases that meet reporting requirements at the end of each quarter. At this time, all contingent liabilities are recorded in DDRS ATB AT96AT17.

i. Fish Mitigation Studies - Based on guidance in Information Paper #2 and 'Point Paper: Accounting for Fish Mitigation Studies Related to PMAs' developed in August, 2006, USACE reclassified over \$400 million in Columbia River Fish Mitigation (CRFM) project study costs from CIP to Other Assets (general ledger account 1990) and began amortizing the cost over 15 years. The USACE position is that the costs associated with these projects must be reported as an asset because the CRFM project and other fish mitigation studies are regulatory assets related to part of a power marketing agency, which must recover all costs of production and transmission of hydroelectric power. Even though there are questions regarding the correct accounting treatment of these costs, USACE will continue to track the cost of the fish mitigation projects as CIP and Other Assets but then reclassify those amounts to an expense account in DDRS.

24. In accordance with Volume 6A, Chapter 2, random selections of completed journal vouchers will be pulled from each DDRS ATB and given to an independent reviewer (outside CFO/Civil Reports Division) within 10 work days of financial statements preparation. An assessment of reviewed journal vouchers will be provided the Chief, CFO/Civil Reports Division upon completion.

25. At fiscal yearend, account Groupings Worksheets are generated in DDRS for transmission to the Department of Treasury in accordance with Treasury Financial Manual, Volume 1, Part 2, Chapter 4000, **Federal Agencies Centralized Trial-Balance System (FACTS I) (T/L 607)**.

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