

When are an Accounting System's Pro Forma Transactions Compliant with the Standard General Ledger (SGL)?

When are transactions compliant?

The SGL Board defines standard SGL transactions to tell accountants and programmers what a federal accounting system must be capable of recording. The SGL Board has also stated, on numerous occasions, that accounting systems do not have to post transactions identically to the way they appear in the guidance, so long as the end result is the same.

Two ways to the same result

Take, for example, an obligation liquidating a commitment. Account 4610 Allotments - Realized Resources represents funds available for commitment or obligation, account 4700 Commitments - Programs Subject to Apportionment represents unliquidated requisitions, and account 4801 Undelivered Orders - Obligations, Unpaid represents unliquidated obligations (with no advance). SGL Transaction Code (TC) B202 records a commitment as dr. 4610 cr. 4700. TC B204 records the obligation and decommitment as dr. 4700 cr. 4801. Then, in case the obligation is not for the same amount as the requisition, the SGL Board has provided TC B208 and TC B210, as shown in the table below.

Transaction Code		Posting	
TC B202	Commitment	dr. 4610	cr. 4700
TC B204	Obligation entered (liquidates Commitment)	dr. 4610 (4700)	cr. 4801
TC B208	Obligation < Commitment	dr. 4700	cr. 4610 4801
TC B210	Obligation > Commitment	dr. 4610 4700	cr. 4801

Now, suppose an accounting system does not support these *pro forma* transactions, but instead does this. The requisition records dr. 4610 cr. 4700. This is recorded when a requisition is entered, and the opposite is posted (dr. 4700 cr. 4610) when an order liquidates a requisition. The order always posts dr. 4610 cr. 4801. It may be accompanied by a commitment liquidation (the system might even require that it be so accompanied) that also posts dr. 4700 cr. 4610, but the *pro forma* transactions list an order as dr. 4610 cr. 4801, which is B204 when there is no commitment. Is the system compliant? The answer is yes, since the SGL Board only requires that the end result be the same, and the accounting system's obligation posting can be defined as TC B210 when the decommitment (posting to account 4700) is zero, or as TC B204 minus TC B202. Thus, if an event causes a series of postings in the accounting system, and the

result is the same as the set of postings listed in the SGL guidance, then the accounting system is compliant with the SGL.

When the same results are not really the same

Timing, however, is an important consideration. The series of transactions just discussed have to be as the result of one event. It is not proper for an accounting system to record results spread across two non-simultaneous events, that the SGL requires be posted for a single event. For example, when a payment is made (the Treasury schedule is confirmed), the proprietary cash account (1010) and budgetary cash accounts (4902 or 4802) are credited. It is not proper for a system to credit the budgetary cash account when the payment is scheduled for disbursement, and then credit the proprietary cash account when the disbursement is confirmed. Although the net result is the same as in the SGL guidance, the system has split the SGL entry across two events that do not occur simultaneously, so the balance of the accounts between these two events will violate the basic formulas of the SGL (in this example, the requirement that proprietary and budgetary cash balances be the same).

When are results close enough?

The SGL Board has published a set of formulas for account balances, that must be true to prepare meaningful statements from the trial balance (e.g., budgetary resources must equal budgetary statuses). However, there are other requirements where a violation does not prevent the production of statements. For example, there is an OMB requirement that all budget activity against an old appropriation be recorded as an upward or downward adjustment. To support this, the Statement of Budgetary Resources (SBR) has been defined so that upward adjustments appear on line 8, while downward adjustments appear on lines 3A1 (collected) and 4A (accrued). Netting downward adjustments against upward adjustments would change the reported results, but it would not prevent the preparation of the report or other financial statements, since all required formulas net lines 3A1, 4A, and 8 together.

This creates a large gray area in determining a proper accounting model. Take the example of an expired-year travel order being canceled and the advance returned. The SGL entry (TC C130) is to dr. 4872 Downward Adjustments of Obligations - Collected cr. 4650 Expired Authority in the budgetary accounts, which would increase SBR lines 3A1, 10C (unavailable), 15B, and decrease line 14C. Now, suppose an agency separates the order and advance functions, and the travel order is canceled in the original year of the obligation, but the advance repayment is recorded in the next year. The accounting model has to either use the SGL adjustment account for the advance (4872) or the non-adjustment account (4802). The possible postings and results on the SBR are:

Scenario	Adjustment Entry	Non-adjustment	Dual adjustment
Advance Posting :	dr. 4872 cr. 4871	dr. 4802 cr. 4801	dr. 4872 cr. 4881
line 3A1 collections	+		+
line 4A recoveries	-		

line 8 new spending			+
line 14C ending obligations	+	+	+
line 15A disbursements		-	
line 15B receipts	+		+

Using the adjustment entry properly records the cash receipt on lines 3A1 and 15B (the receipt column in part I of the SF-224), but it reduces the amount on line 4A, and could even cause it to go negative. The non-adjustment entry cannot cause 4A to go negative, but it reports the collection in 15A (disbursements column of the SF-224). A hybrid solution is to record the advance collection as both an upward and downward adjustment, causing the collection to be reported on lines 3A1 and 15B, with an offsetting entry on line 8, since the collection itself did not change budgetary resources. Treasury FMS prefers the latter solution, though they will accept any of these models if the agency's procedures or the accounting system make recording the dual adjustment difficult.

Comments, suggestions, and critiques are welcome. Send them to Simcha.Kuritzky@cgi-ams.com, and not to the AGA.