



United States  
Department of  
Agriculture

Office of the Chief Financial Officer

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Washington, DC 20250

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Bulletin: OCFO 18-02

Date: May 31, 2018

Subject: Prior Period Adjustments

To: All Agencies

## PURPOSE

The purpose of this bulletin is to ensure that the OCFO has the information it needs to assess the impact of potential prior period adjustments on USDA's financial statements.

## DEFINITIONS

**Change in accounting principle.** Change from one generally accepted accounting principle to another one that can be justified as preferable. Changes in accounting principles also include those occasioned by the adoption of new federal financial accounting standards.

**Error.** Mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were prepared.

**Materiality.** The determination of whether an item is material depends on the degree to which omitting or misstating information about an item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

## BACKGROUND

As part of the fiscal 2003 consolidated financial statement audit, the OIG recommended that the OCFO develop and implement a written policy on prior period adjustments.

Unless all agencies are reporting all potential prior period adjustments to the OCFO, the Department does not have the information necessary to review the entries in their entirety and determine an appropriate course of action. As a result, material misstatements to USDA's financial statements could occur.

## RESPONSIBILITIES

Agencies are responsible for reporting all potential prior period adjustments greater than and equal to \$250,000 to the OCFO.

The OCFO is responsible for accumulating potential prior period adjustments from all USDA agencies and evaluating those entries in the aggregate in order to determine appropriate courses of action.

**POLICY**

Agencies will notify the OCFO of all errors discovered and effects of a change in accounting principle greater than and equal to \$250,000 on the quarterly and year-end financial statements.

The OCFO will decide if errors and effects of change in accounting principle are material to prior period financial statements.

Material prior period adjustments will be recorded and reported in accordance with the U.S. Standard General Ledger and Statement of Federal Financial Accounting Standard No. 21, Corrections of Errors and Changes in Accounting Principles.

**INQUIRIES**

Any questions concerning this bulletin should be directed to Kevin Close on (202) 720-0990.

**EFFECTIVE DATE**

This bulletin supersedes OCFO Bulletin #2004-001, Prior Period Adjustments, dated March 8, 2004, and is effective immediately.

/s/

Stan McMichael  
Associate Chief Financial Officer for Financial Operations