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## **1. Effective Date**

- 1.1 This policy is effective on **April 20, 2022**.
- 1.2 This policy replaces the previous Department of National Defence (DND)/Canadian Armed Forces (CAF) financial management (FM) policy Financial Administration Manual (FAM) 1016-6-1 Other Government Department (OGD) Suspense Accounts issued on 14 February 2008.
- 1.3 The policy was approved by the Assistant Deputy Minister, Finance (ADM(Fin)) on **April 20, 2022**.

## **2. Application**

- 2.1 This policy applies to [OGD suspense account](#) arrangements involving DND/CAF, and identifies the roles and responsibilities for ensuring their proper use. OGD suspense accounts involve a [spending department](#) that administers a program on behalf of the [funding department](#) that advances funds to an OGD to administer a program on their behalf. DND/CAF can be the spending organization (performs the payment requisition function) or the funding organization (advances funds for the planned program expenditures).

## **3. Context**

- 3.1 A suspense account is an account to which a transaction is posted on a temporary basis until its ultimate disposition is determined. The Government of Canada as a whole and DND/CAF enter into OGD suspense account arrangements when one federal department operates a program on behalf of another federal department, in accordance with applicable Treasury Board (TB) authorities, policies and directives. The OGD suspense account can be used by federal government departments that operate within the Consolidated Revenue Fund (CRF) and use the Receiver General's (RG) Standard Payment System – Interdepartmental Settlement (IS) to facilitate the transfer of such transactions. OGD suspense accounts should be used for short-term or one-off situations.
- 3.2 Due to the nature and complexity of its programs, the Department may be faced with unique situations that may not be addressed or fully articulated in the TB Directive on Charging and Special Financial Authorities. This policy outlines and explains DND/CAF FM policy requirements for OGD suspense account transactions. Accordingly, this policy must be applied in conjunction with and after reading the following:
  - Treasury Board (TB) Directive on Charging and Special Financial Authorities; and;
  - Treasury Board (TB) Guide to Internal Charging and Special Financial Authorities.
- 3.3 This policy must also be read in conjunction with:

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- Financial Administration Manual (FAM) Chapter 1016-6 Interdepartmental Settlements;
- Defence Administrative Orders and Directives (DAOD) 7014-0 Memorandum of Understanding;
- DAOD 7014-1 Memorandum of Understanding Development
- FAM Chapter 1016-2 Expenditure Initiation and Commitment Control – FAA Section 32;
- FAM Chapter 1016-3 - Account Verification – FAA Section 34;
- FAM Chapter 1016-4 - Manage Payments – FAA Section 33; and
- FAM Chapter 1021-1 Liabilities Including Payables at Year-End (PAYE).

3.4 All financial documentation supporting the transactions must be retained for six years from the end of the fiscal year in which the transaction took place. When an Accounts Receivable is created, all documentation is to be retained until the account is cleared. When a criminal, disciplinary or recovery action is taken, all documentation must be retained and protected for six fiscal years after the process is completed.

3.5 See [Appendix A](#) for the definitions applicable to this policy and a list of acronyms used.

#### **4. Objectives and Expected Results**

4.1 The objectives of this policy are to:

- Identify DND/CAF requirements and key stakeholders involved with the financial management of OGD suspense accounts and to outline their roles and responsibilities; and
- State and explain DND/CAF FM policies particular to OGD suspense accounts, including the requirement that they should only be used for one-off situations.

4.2 The expected results of implementing this policy are:

- Effective governance, oversight and internal controls over the use of OGD suspense accounts;
- Increased awareness of key DND/CAF stakeholders in regard to their roles and responsibilities related to the planning, use, authorization, recording and reporting of OGD suspense accounts; and
- Responsible management of OGD suspense accounts in accordance with DND/CAF's implementation of the TB Directive on Charging and Special Financial Authorities.

#### **5. Requirements**

5.1 When evaluating a proposed OGD suspense account arrangement, the responsible program manager must consider mandate, [appropriation](#), capacity, duration, vote alignment, public scrutiny, transparency, internal charging and value for money while respecting contracting and FM policies. The delegated authorities who review and approve the [Memorandum of Understanding](#) (MoU) funding, terms and conditions,

contracts and payments are accountable for the planning, execution, recording, monitoring, reporting and clearing of the OGD suspense account transactions.

- 5.2 The mandate and appropriation of the program must reside with the funding department; therefore, final accountability and reporting resides with the funding department and only payment requisition functions are requested from the spending department.

#### **When to use an OGD Suspense Account**

- 5.3 OGD suspense accounts should be used for short-term or one-off situations when the spending department is administering a program on behalf of another department but must respect parliamentary controls, authority, vote alignment, contracting and financial policy requirements.
- 5.4 An OGD suspense account may be used when a department is administering another department's program (such as the administration and payment of a [grant](#) or [contribution](#) program) that does not fall within the mandate of the administering department and consequently cannot be charged to that department's vote. The terms and conditions of the grant or contribution program used must be those approved for the funding department.

#### **When not to use an OGD Suspense Account**

- 5.5 When a department provides seconded employees, ongoing goods or services, it must pay for the expenditures from its own appropriation and recover the costs from the other department using an [interdepartmental settlement](#) transaction, not an OGD suspense account. Internal charging by IS must be in accordance with sections 4.4, 4.5, 4.6 and 4.7 of the TB Directive on Charging and Special Financial Authorities and the DND Provision of Services Manual.
- 5.6 If the program is not in the mandate of the funding department, then the use of an OGD suspense account is not appropriate. In these situations, the funds will have to be transferred by way of Supplementary Estimates or Main Estimates through the Annual Reference Level Update. OGD suspense accounts should be evaluated for appropriateness as they do not represent a Parliamentary authority for the spending department, and therefore cannot be used to authorize payment out of the CRF.
- 5.7 There are situations where a spending department may make major purchases of goods or services on behalf of a funding department, such as when orders are combined in order to obtain larger volume discounts. In such situations, departments should structure the contract such that responsibility for making the appropriate payment resides with each department, even though the spending department is the contracting and inspection authority. This method is preferred, when possible, as the use of an OGD suspense account is not required.
- 5.8 The Level 1 (L1) Comptroller must be consulted to ensure that an OGD suspense account is the appropriate mechanism for the proposed arrangement, by verifying the proposed program expenditure, mandates, appropriation, correct vote/fund, resource capacity, timelines, costing, risks, etc. When a Level 1 Comptroller requires advice on

whether an OGD suspense account is the appropriate vehicle considering the nature, materiality and mandate of the agreement, they should refer to [Appendix C](#) and contact Director Investment Planning, Governance and Analysis (DIPGA) and Canadian Forces Legal Advisor (CFLA) for assistance.

### **Planning**

- 5.9 The OGD suspense account arrangement should be evaluated and planned by the responsible DND Office of Primary Interest (OPI) to ensure:
- the funding department has the mandate and appropriation;
  - it is a short term or one-off requirement and not a recurring service arrangement;
  - the required resources are available for both federal departments;
  - the L1 Comptroller, DIPGA and Legal Services are consulted to ensure the use of OGD suspense account and planned financial arrangements are correct and policy compliant;
  - L1 Advisor confirms, where necessary, with Privy Council Office (PCO) that the nature, materiality and duration of the planned arrangement does not constitute a change in the machinery of government, particularly with regards to large, longer term or repetitive items;
  - an approved MoU, similar to the sample provided in [Appendix B](#), covers the requirements of DAODs 7014-0 and 7014-1, and when DND is the funding department, [Annex B-1](#) must be approved by the Minister of National Defence (MND);
  - intellectual property considerations are evaluated (when relevant);
  - health, security, safety and the environment issues are considered and addressed in the MoU;
  - any required contracting and work is in accordance with contracting policy;
  - the costing and internal charging is negotiated and agreed upon in the MoU;
  - the work does not involve illegal, immoral, or inappropriate practices by the government or its suppliers;
  - the risk associated with the nature of the work has been identified and assessed;
  - the frequency of financial reporting to the funding department is agreed upon; and
  - that OGD suspense accounts should be used for one-off scenarios and care must be exercised to ensure that mandates, policies and authorities are respected (see [Appendix C](#) for sample listing of scenarios where an OGD suspense account is appropriate and where it is not appropriate).

### **Memorandum of Understanding**

- 5.10 A formal written MoU between the DND/CAF and OGD must be initiated before funds are transferred to the administering department. In accordance with Section 4.15.3 of the TB Directive on Charging and Special Financial Authorities Agreements, the MoU must clearly document all relevant accountabilities and expectations and must be approved by authorized representatives of both departments.

- 5.11 The process, approval and mandatory content of a DND/CAF MoU is detailed in Defence Administrative Order and Directive (DAOD) 7014-0 Memoranda of Understanding (MoU) and DAOD 7014-1 Memoranda of Understanding (MoU) Development and must include regular accounting and reporting from the spending department to the funding department, as well as the following section titled financial arrangements. See [Appendix B](#) for a sample MoU of an OGD suspense account. The MoU must be reviewed by the Judge Advocate General (JAG) MoU unit and main stakeholders to ensure all required aspects of the DAOD 7014 series are included.
- 5.12 The formal MoU agreement must respect all applicable federal laws and government policies including procurement and contracting requirements in the DND Procurement Administration Manual (PAM). For information on Memorandums of Understanding, refer to PAM 3.3.13 – Memorandum of Understanding (MoUs). You may also wish to consult the TB Guideline on Service Agreements: An Overview and the TB Guideline on Service Agreements: Essential Elements.

### **Financial Arrangements**

- 5.13 The purpose of this section is to describe the mandatory financial arrangements section of the MoU. It is the responsibility of the funding department to prepare a draft of the MoU since it is in a better position to describe the situation necessitating the use of an OGD suspense account.
- 5.14 Interdepartmental charges for an OGD suspense account must be charged by the spending department to recover its costs to administer the program for another department and must be agreed by the parties in the MoU. Interdepartmental charges incurred by the spending department should be based on the supportable costing and may need the assistance of the Comptroller. A MoU may provide for waiver of charges where the costs of providing services to any department are minimal.
- 5.15 The financial arrangements section of the MoU for an OGD suspense account will include, at a minimum, the following information:
- Delegated Financial Authority;
  - Funds;
  - Administration; and
  - Accounting and Reporting.

Note: The list of sections above is not exhaustive. As the need arises, other sections can be added if it is deemed necessary by both departments. A typical example would be a section on the delegation of contracting authorities.

### **Delegated Financial Authority**

- 5.16 The Minister and the Deputy Minister (DM) of the funding department must delegate financial signing authorities relating to the administration of its program to specific positions in the spending department. The nature of the activities undertaken by the spending department will determine which financial authorities require delegation. The written delegation of financial authorities, FAA Section 33 minimum, by the MND

to specific positions in the spending department, is standard practice to support an MOU with an OGD Suspense Account advance.

- 5.17 The MoU must be signed by an appropriate delegated Responsibility Centre (RC) Manager who is responsible and accountable for the program and budget, unless a higher level of authority is required. Section 4.1.1.6 of the TB Directive on Delegation of Spending and Financial Authorities requires a signature of the MND to delegate financial authorities to an OGD. When DND is the funding department, a supporting delegation letter similar to [Annex B-1](#) must accompany the MoU sample in [Appendix B](#), which includes the signature and date of approval by the Minister.

### **Funds**

- 5.18 The amount and vote to be transferred to the spending department must be clearly stated in the MoU. When a MoU covers multiple years, the amounts must be detailed by fiscal year.

### **Administration**

- 5.19 The spending department must have the capacity, expertise and appropriate financial management framework in place to undertake the program and make the payments involved.
- 5.20 As OGD suspense accounts result in the transfer of funds by the funding department, and payments by the spending department, they must be approved pursuant to FAA Section 32, FAA Section 34 and FAA Section 33. Readers should refer to FAM Chapter 1016-2 Expenditure Initiation and Commitment Control-FAA Section 32, FAM Chapter 1016-3 Account Verification – FAA Section 34 and FAM Chapter 1016-4 - Manage Payments – FAA Section 33 for additional information. For procedural guidance, readers should refer to the departmental Standard Operating Procedure (SOP) OGD Suspense Account to support this FAM for more details.
- 5.21 The internal charging for administering another department's program is generally charged full cost or incremental cost as specified in the MoU, in accordance with the TB Guide on Financial Arrangements and Funding Options and the DND Provision of Service Manual. Often, internal clients are charged the calculated incremental costs only for a one-time comprehensive OGD suspense account arrangement.

### **Accounting and Reporting**

- 5.22 The spending department must ensure that the spending authority has been transferred from the funding department to the OGD suspense account before payments are made. The spending department OGD suspense accounts must not be allowed to go into a negative balance.
- 5.23 The expenditure should not be charged to a spending department's appropriation (please refer to the SOP OGD Suspense Account for more detailed guidance). The correct vote must be used for all payments and based on the thresholds of the funding department, including OGD suspense account arrangements, therefore the



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correct vote should be planned and recorded based on the funding department's capitalization policy and threshold.

- 5.24 The funding and spending departments must process the appropriate accounting transactions in line with Section 9.9 of the Financial Information Strategy manual. The spending department cannot charge expenditures to the OGD suspense account in excess of the delegated limit or the amount credited to the account (i.e., the OGD suspense account cannot have a debit balance). Financial Control and Reconciliation (FCR) / Director Financial Accounting (DFA) checks by Work Breakdown Structure element to ensure there is no debit balance for OGD advances received.
- 5.25 The OGD suspense account (i.e. spending and funding department) must be cleared at the end of the fiscal year and all expenditures must be accounted for within the appropriations of the funding department. Any remaining spending authority in the spending department OGD suspense account must be returned to the funding department at the end of the fiscal year.
- 5.26 The spending department must report regularly to the funding department, per an agreed schedule listed in the MoU, on the accounting transactions in the OGD suspense account and on results in such detail. Most departments require quarterly reports in the MoU, unless otherwise agreed that more or less reporting is best.
- 5.27 With each accounting report, the spending department will provide a forecast of the expected requirements for the remainder of the fiscal year. Any expected non-use of the authority must be communicated to the funding department as soon as possible.

**Recording expenditures**

- 5.28 The funding department must record the details provided by the spending department in its departmental financial system every quarter, or as outlined in the MoU. Since the payments were for the funding department's mandate, an audit of the expenditures should be completed in accordance with the funding department's audit practices.
- 5.29 FCR/DFA should be consulted or contacted to ensure the OGD suspense account accounting transactions are properly recorded and cleared to zero by fiscal year-end in the departmental financial system, or a DND trial balance error will occur.
- 5.30 There are specific general ledger accounts to be used depending on whether DND is the spending or funding department. When DND is the spending department, "GL 21621 OGD Suspense Advances Received" is to be used for the IS receipt of funds. GL 21624 is a contra account used to record DND's amount spent for Advances Received only. When DND is the funding department, "GL 81243 V1 OGD Suspense Advances Issued" is used for Vote 1-related situations and "GL 81293 V5 OGD Suspense Advances Issued" for Vote 5-related situations and GL 81244 V10 OGD Suspense Advances. Check the GL Conversions Chart for the most up to date GLs.



### **Audit Trail**

- 5.31 It is essential that a valid audit trail exists and documentation is kept on file demonstrating adherence to DND and TB policy requirements. OGD suspense account transactions must include supporting documentation for audit trail demonstrating compliance with expenditure initiation, commitment authority, certification authority and payment authority, as applicable. For more details, refer to the FAM Chapter 1016-2 Expenditure Initiation and Commitment Control – FAA Section 32, FAM Chapter 1016-3 Account Verification – FAA Section 34 and FAM Chapter 1016-4 Manage Payments – FAA Section 33.
- 5.32 Refer to the Standard Operating Procedure - OGD suspense accounts for all supporting payment documentation guidance such as contracts, MoU, receipt documents, invoices, FAA certifications and all other relevant documents to be retained by the department. This includes documents that justify decisions by the funding department to cost, advance, modify, consume or close the OGD suspense account, as delegated RC Managers are accountable in both the spending and funding departments.

### **Fiscal Year-end**

- 5.33 In accordance with the DND's Finance Year-End Instructions, when OGD suspense account transactions cannot be processed by IS process by March 31<sup>st</sup>, they must be recorded as either Payables at Year-End (PAYEs) or Receivables at Year-End (RAYEs). A PAYE in one government department has an offsetting RAYE in another department, and vice versa. The onus falls on both departments to communicate and establish their own accounting entries to ensure that payables in one collaborating department's financial system match the other one's receivables.
- 5.34 Every effort should be made to clear to zero by 31 March and process OGD suspense account transactions by IS process during the year in order to minimize the number of PAYEs and RAYEs with OGDs required at fiscal year-end. Refer to FAM Chapter 1021-1 Liabilities Including Payables-at-Year-End (PAYE), the related SOP: Liabilities Including Payables-at-Year-End and the DND's Finance Year-End Instructions for detailed information.

## **6. Roles and Responsibilities**

### **Minister of National Defence**

- 6.1 The Minister of National Defence (MND) is responsible for:
- Delegating the financial signing authorities relating to the administration of its program to specific positions in the spending department; and
  - Signing and dating [Annex B-1](#) of the MoU for the financial authorities to be delegated from DND, the funding department to the spending department.

### **Deputy Minister**

- 6.2 The Deputy Minister (DM) is responsible for:

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- Ensuring a departmental governance framework over the management of OGD suspense accounts is in place to ensure departmental compliance with legislation and DND and TB policy;
- Ensuring L1 Advisors and the ADM(Fin)/CFO are aware of their responsibilities with respect to this policy and have the necessary knowledge to carry them out; and
- Making sure that appropriate remedial action is taken to address significant issues regarding policy compliance within the department.

**Assistant Deputy Minister (Finance)/Chief Financial Officer**

6.3 The Assistant Deputy Minister (Finance) (ADM(Fin))/Chief Financial Officer (CFO) is responsible for:

- Ensuring that OGD suspense accounts requirements in section 4.15 of the TB Directive on Charging and Special Financial Authorities are followed;
- Establishing, monitoring and maintaining a risk based system of internal controls over departmental OGD suspense accounts to ensure compliance with legislation, policy as well as RG instructions;
- Approving this policy;
- Informing the DM and the Office of the Comptroller General of any critical financial risk, compliance issues or other irregularities related to departmental OGD suspense accounts; and
- Ensuring that corrective actions are taken to address instances of non-compliance with this policy by a civilian, or in the case of a CAF member, notifying the military chain of command that corrective actions must be taken.

**Level One Advisors**

6.4 Level One (L1) Advisors are responsible for:

- Ensuring that OGD suspense accounts requirements in section 4.15 of the TB Directive on Charging and Special Financial Authorities are followed;
- Ensuring that within their organization, OGD suspense account transactions are monitored on a periodic basis for proper spending according to the MoU, reporting and clearing at year-end;
- Ensuring all staff are provided with direction and guidance regarding the application of this policy and related procedures and instructions;
- Ensuring all processes and controls related to OGD suspense accounts are monitored for compliance and working effectively;
- Ensuring timely, accurate and complete information on OGD suspense accounts is available upon request;
- Ensuring effective maintenance of records for the audit trail, including those records that record, update, modify, or close an OGD suspense account;
- Assisting RC Managers in ensuring only valid OGD suspense accounts are recorded in the department financial management system with appropriate documentation kept on file for audit purposes;
- Confirming, where necessary, with the Privy Council Office that the nature, materiality and duration of the planned arrangement does not constitute a

change in the machinery of government, particularly with regard to large, longer term or repetitive items;

- Assisting RC Managers in ensuring recorded OGD suspense accounts are based on reasonable estimates, when applicable, with appropriate documentation kept on file for audit purposes; and
- Ensuring OGD suspense accounts and corresponding transactions are properly communicated and recorded.

### **Director General Strategic Financial Governance**

6.5 The Director General Strategic Financial Governance (DGSFG) is responsible for:

- Ensuring that this policy takes into consideration the unique situations and circumstances of DND/CAF;
- Ensuring that procedures are developed in support of this policy;
- Ensuring that DND/CAF financial management and related systems support the management of OGD suspense account transactions;
- Ensuring that business processes and system requirements related to OGD suspense account transactions are integrated into DRMIS;
- Testing key internal controls, reporting on the results, and tracking remediation if and as required;
- Providing financial policy interpretation and clarification when appropriate; and
- Bringing to the attention of the ADM(Fin)/CFO any significant compliance issues with this policy that they become aware of and providing recommendations on how to address them.

### **Director General Financial Operations and Services**

6.6 The Director General Financial Operations and Services (DGFOS) is responsible for:

- Collaborating with DGSFG in the development / updating procedure document (SOP) in support of this policy;
- Ensuring that the requirements for OGD suspense account transaction processing are clearly identified and communicated across DND/CAF;
- Ensuring departmental compliance with this policy is monitored;
- Ensuring the accuracy, reasonableness and availability of information related to OGD suspense account transactions for reporting purposes;
- Monitoring the OGD suspense accounts regularly and at year-end; and
- Bringing to the attention of the ADM(Fin)/CFO any significant compliance issues with this policy that they become aware of and providing recommendations on how to address them.

### **Director Financial Systems Integration**

6.7 The Director Financial Systems Integration (DFSI) is responsible for:

- Creating and maintaining the departmental financial management system business process documentation on OGD suspense accounts to support the Business Process Owners; and

- Developing and communicating mandatory procedures in compliance with this policy that standardize how activities related to OGD suspense accounts are performed across the DND/CAF.

### **Director Financial Policy**

6.8 The Director Financial Policy (DFP) is responsible for:

- Developing and promulgating departmental financial policies;
- Providing policy interpretation and clarification when appropriate on policy matters related to OGD suspense accounts; and
- Reviewing procedures related to the management of OGD suspense accounts to ensure compliance with legislation and TB and DND policies.

### **Director Financial Controls**

6.9 The Director Financial Controls (DFC) is responsible for:

- Assessing effectiveness of internal controls related to the management of OGD suspense accounts, and making recommendations for improvement and/or correction in a manner that supports legislation and TB and DND policy as well as RG instructions; and
- Providing ongoing oversight and monitoring of the Department's internal controls over the FM of OGD suspense accounts.

### **Director Financial Accounting**

6.10 The Director Financial Accounting (DFA) is responsible for:

- Producing the departmental financial statements, including the Statement of financial position, and submissions for the Public Accounts of Canada, in compliance with legislation and DND and TB policy, as well as RG instructions;
- Providing guidance on accounting treatment of OGD suspense accounts;
- Preparing the monthly trial balance reflecting the balance of OGD suspense accounts;
- Establishing and communicating processes and instructions such as the DND Finance Year-End Instructions to ensure a standardized and policy compliant approach to the management of OGD suspense accounts across DND/CAF and to ensure reporting information is complete and accurate for the departmental financial statements and the Public Accounts;
- Reviewing and monitoring OGD suspense account balances including to ensure no negative balances; and
- Providing corporate assistance for the removal of unused OGD suspense account balances and closing them at year-end.

### **Director of Investment Planning, Governance and Analysis**

6.11 The Director Investment Planning, Governance and Analysis (DIPGA) is responsible for:

- Ensuring that MoUs, including OGD suspense account funding arrangements, are reviewed for compliance with legislation, regulations, FAA, TB and DND suite of financial policy instruments, DAOD 7014-0, DAOD 7014-1 and procedures;
- Tracking all DND/CAF MoUs in a log, including those with OGD suspense account funding arrangements;
- Reviewing the explanation/rationale from RC managers for the authority and why other methods of financial transfer, such as IS, between departments for goods and services are not used as opposed to an OGD suspense account;
- Providing financial advice to L1 Comptrollers on OGD suspense account appropriateness and compliance with financial authorities and this policy;
- Ensuring that MoUs with OGD suspense account arrangements are reviewed for appropriateness, including by other functional experts such as legal, contracting, intellectual property, when applicable for issues relating to their areas of expertise like contracting, grants and contributions, intellectual property rights, security, etc.; and
- Ensuring for MoUs dealing with grants and contributions that the terms and conditions and requirements of the original agreement are respected and are in line with the DND and TB policy for [transfer payments](#), regardless if an OGD suspense account is used.

### **Director Materiel Policy and Procedures**

6.12 The Director Materiel Policy and Procedures (DMPP) is responsible for:

- Providing contracting guidance to responsible RC Managers on OGD suspense accounts; and
- Ensuring the contracting authority reviews and approves all OGD suspense account MoUs that involve an acquisition of a good or service.

### **Level One Comptrollers**

6.13 Level One (L1) Comptrollers are responsible for:

- Ensuring processes and controls are in place to ensure compliance with this policy;
- Ensuring all personnel are trained, aware and fully understand the direction and guidance regarding the application of this policy and supporting procedures;
- Ensuring all processes and controls related to OGD suspense accounts are monitored for compliance and working effectively;
- Ensuring timely, accurate and complete information on OGD suspense accounts is available upon request;
- Supporting those in their financial chain of command to ensure OGD suspense account transactions are duly authorized, compliant, timely, accurate, monitored and properly recorded;
- Reviewing MOUs related to OGD suspense accounts to ensure financially compliant with this policy;

- Supporting those in their financial chain of command to ensure that disputes with partnering departments and proposed corrective actions are resolved fairly and promptly through negotiation and mediation;
- Ensuring that PAYEs/RAYEs are avoided where possible and corresponding transactions are properly recorded and communicated to partnering departments;
- Ensuring that compliance with this policy is monitored within their L1 organization;
- Ensuring that an appropriate system is in place within their organization to be able to provide timely and accurate OGD suspense account reporting; and
- Advising RC Managers on the requirements of OGD suspense accounts.

### **Corporate Departmental Accounting Office**

6.14 The Corporate Departmental Accounting Office (CDAO) is responsible for:

- Providing the funds received centrally to the applicable RC Managers for OGD Suspense Account.

### **Regional Departmental Accounting Office**

6.15 The Regional Departmental Accounting Office (RDAO) Comptrollers are responsible for:

- Ensuring this policy is fully implemented within their geographic area of responsibility and monitoring for compliance;
- Ensuring individuals are trained, aware and fully understand the processes related to this policy;
- Performing periodic reviews to ensure compliance with FAA requirements and those of this policy; and
- Exercising a challenge function and ensuring only valid OGD suspense accounts are recorded and ensuring they are cleared by year-end and the expenditures are reported by the funding department.

### **Responsibility Centre Managers**

6.16 Responsibility Centre (RC) Managers are responsible for:

- Ensuring that their OGD suspense account transactions are compliant with legislation, regulations, FAA, mandate, TB and DND suite of financial policy instruments, delegation of authorities instrument, MoU and procedures;
- Ensuring that OGD suspense account requirements in this policy and section 4.15 of the TB Directive on Charging and Special Financial Authorities are followed;
- Ensuring that their OGD suspense account transactions are compliant with FAM Chapter 1016-2 Expenditure Initiation and Commitment Control – FAA Section 32, with FAM Chapter 1016-3 Account Verification – FAA Section 34 and with FAM Chapter 1016-4 Manage Payments – FAA Section 33;
- Ensuring all personnel are trained, aware and fully understand OGD suspense account policy and procedural requirements;

- Ensuring that an authorized MoU between the departments is in place prior to initiating any transactions related to advancing the agreed OGD suspense account funding or contracting for goods or services on behalf of the responsible funding department;
- Properly accounting for the transactions and clearing of the OGD suspense accounts to zero prior to year-end;
- Ensuring only valid OGD suspense accounts are created by the funding OPI and seeking advice and guidance on transactions, as required from their respective L1 Comptroller and DFA/FCR;
- Contacting their L1 Comptroller, DIPGA and CFLA for advice on the assessment of the appropriateness of an OGD suspense account;
- Ensuring only appropriate and legitimate OGD suspense accounts for DND/CAF programs are administered by another department, in accordance with DND's mandate;
- Ensuring that OGD suspense accounts are used only when the department is administering a program on behalf of another department;
- Ensuring that an MoU clearly establishes all relevant accountabilities and is approved by authorized representatives of both departments before funds are transferred to the administering department;
- Providing the funding department all pertinent information, required on a timely basis, so that the accounting transactions recorded in the departmental financial system is timely, complete and accurate;
- Ensuring a complete audit trail of appropriate supporting documentation is maintained and stored for audit purposes for OGD suspense account transactions;
- Monitoring and managing transactions to OGD suspense accounts for accuracy and taking appropriate action as soon as possible to record, modify, correct or clear a transaction;
- Ensuring that disputes with partnering departments are resolved fairly and promptly through negotiation and mediation and proposed corrective actions;
- Monitoring planned/approved OGD suspense account balance versus actual OGD suspense account expenditures to ensure no overspending of the advance;
- Monitoring expenditures and reporting to the funding department on an ongoing basis throughout the fiscal year;
- Returning any unused and unspent OGD suspense account balance to the funding department; and
- Ensuring that the OGD suspense account balance is zero at the end of the fiscal year by returning surplus funds to the partner organization.

### **Judge Advocate General**

6.17 The Judge Advocate General (JAG) is responsible for:

- Ensuring that MoUs, including OGD suspense account funding arrangements, are reviewed for mandatory wording and compliance with legislation, regulations, FAA, TB and DND suite of financial policy instruments, DAOD 7014-0, DAOD 7014-1 and procedures;
- Tracking all DND/CAF MoUs in a log, including those with OGD suspense account funding arrangements; and



- Ensuring that MoUs with OGD suspense account funding are reviewed by other functional experts such as Legal Services, contracting, security, intellectual property, DIPGA, when applicable, for issues relating to their areas of expertise like contracting, grants and contributions, intellectual property rights, security, etc.

### **Canadian Forces Legal Advisor**

6.18 The Canadian Forces Legal Advisor (CFLA) is responsible for:

- Ensuring that MoUs, including OGD suspense account funding arrangements, are reviewed for compliance with legislation, regulations, mandate and financial authorities; and
- Providing legal advice to L1 Comptrollers on OGD suspense account appropriateness, including delegation of transaction authority, in consultation with other functional experts such as contracting, security, intellectual property, DIPGA when applicable for issues relating to their areas of expertise like contracting, grants and contributions, intellectual property rights, security, etc.

## **7. Consequences of Non-Compliance**

7.1 Under the TB Policy on Financial Management, the DM is responsible for investigating and acting when significant issues regarding policy compliance arise. The DM must also ensure that appropriate remedial actions are taken to address such issues within the DND/CAF. The TB Framework for the Management of Compliance provides guidance on the considerations for determining the possible mix of consequences which include; the impact of the non-compliance, whether there is a history of non-compliance, whether there was intent and whether there are other circumstances.

7.2 To support the DM's responsibility under the TB Policy on Financial Management, the ADM(Fin)/CFO or in the case of a member of the CAF, the military chain of command at the ADM(Fin)/CFO's direction, must ensure corrective actions are taken and the consequences are commensurate with the nature of the non-compliance with this policy. Corrective actions and consequences can include a requirement for additional training, changes to procedures or systems, removal or suspension of delegated spending and financial authorities, disciplinary action or other measures as appropriate. For additional information refer to the TB Framework for the Management of Compliance.

## **8. References**

### **8.1 Legislation**

[Financial Administration Act](#)

### **8.2 Treasury Board**

[Policy on Financial Management](#)

[TB Directive on Charging and Special Financial Authorities](#)  
[TB Directive on Delegation of Spending Authority and Financial Authorities](#)  
[TB Guide to Delegating and Applying Spending Authority and Financial Authorities](#)  
[TB Policy on Transfer Payments](#)  
[TB Directive on Transfer Payments](#)  
[TB Directive on Payments](#)  
[TB Financial Information Strategy Accounting Manual](#)  
[TB Framework for the Management of Compliance](#)  
[TB Guide on Financial Arrangements and Funding Options](#)  
[TB Guideline on Service Agreements: An Overview](#)  
[TB Guideline on Service Agreements: Essential Elements](#)

### **8.3 DND/CAF - Financial Administration Manual**

[DAOD 7014-0 Memoranda of Understanding \(MoU\)](#)  
[DAOD 7014-1 Memoranda of Understanding \(MoU\) Development](#)  
[FAM Chapter 1016-6 Interdepartmental Settlements](#)  
[FAM Chapter 1021-1 Liabilities including PAYE](#)  
[FAM Chapter 1016-2 Expenditure Initiation and Commitment Control-FAA Section 32](#)  
[FAM Chapter 1016-3 Account Verification – FAA Section 34](#)  
[FAM Chapter 1016-4 Manage Payments – FAA Section 33](#)  
[FAM Chapter 1018-1 Managing Public Revenue](#)  
Standard Operating Procedure - OGD Suspense Account (to be finalized)  
[Standard Operating Procedure - Interdepartmental Settlement](#)  
[Delegation of Authorities for Financial Administration for DND and the CAF](#)  
[The Procurement Administration Manual](#)  
[Provision of Services Manual](#)

Note: Please see [ADM\(Fin\)](#) web site for tools to which the FM procedure relates.

### **8.4 Other DND/CAF Instructions or Administrative Orders**

[Memoranda of Understanding \(MoU\) Writing Guidelines](#)  
[DRMIS Finance Year-End Instructions](#)  
[Receiver General Manual Chapter 12 - Interdepartmental settlement processing](#)  
[DRMIS Finance Business Process Procedures](#)  
[General Ledger Conversion Chart](#)  
[RG Manual Chapter on Year-End Timetable and Procedures](#)

## **9. Enquiries**

- 9.1 Questions on policy interpretation and clarification are to be addressed to the appropriate Comptroller.
- 9.2 If the local Comptroller requires assistance, the question will be escalated through the financial chain of command.
- 9.3 If the L1 Comptroller needs guidance on the matter(s) raised, the L1 Comptroller may contact DFA for financial accounting advice or DIPGA for other financial concerns.

- 9.4 If DFA or DIPGA requires interpretation or clarification on the matter(s) raised, they may contact Director, Financial Policy (DFP).

## Appendix A – Definitions and Acronyms

### Definitions

The following definitions apply to this policy.

**Appropriation (Crédit)** is any authority of Parliament to pay money out of the Consolidated Revenue Fund (Financial Administration Act section 2). It is a defined amount of money, voted by an Act of Parliament for which public money can be lawfully spent by a Department for a specific purpose or program.

**Contribution (Contribution)** is a transfer payment subject to performance conditions specified in a funding agreement. A contribution is to be accounted for and is subject to audit.

**Funding Department (Ministère chargé du financement)** is the department who provides the funding to the spending department so that they can administer the funding departments program.

**Grant (Subvention)** is a transfer payment subject to pre-established eligibility and other entitlement criteria. A grant is not subject to being accounted for by a recipient nor normally subject to audit by the department. The recipient may be required to report on results achieved.

**Interdepartmental settlement (Règlement interministériel)** is a mechanism used to transfer funds between any two departments or agencies that operate within the Consolidated Revenue Fund.

**Memorandum of understanding (Protocole d'entente)** A written, approved, non-contractual, non-legally binding arrangement that may be developed at any level within the DND and the CAF, by which the DND or the CAF and other participants external to the DND and the CAF decide to cooperate in a project, program or similar undertaking.

**Other government department suspense account (Comptes d'attente d'autres ministères)** is an account to which a transaction is posted on a temporary basis until its ultimate disposition is determined. In the context of this policy, it is an administrative arrangement whereby one department provides payment requisition functions or deposit functions on behalf of another department.

**Spending Department (Ministère engageant les dépenses):** The department who will receive an OGD suspense account amount from the funding department and provide payment requisition functions or deposit functions for another department.

**Transfer payment (paiement de transfert)** is a monetary payment, or a transfer of goods, services or assets made, on the basis of an appropriation, to a third party, including a Crown corporation, that does not result in the acquisition by the

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Government of Canada of any goods, services or assets. Transfer payments are categorized as grants, contributions and other transfer payments. Transfer payments do not include investments, loans or loan guarantees.

**Acronyms**

ADM(Fin) – Assistant Deputy Minister(Finance)

CAF – Canadian Armed Forces

CDAO – Corporate Departmental Accounting Office

CFLA – Canadian Forces Legal Advisor

CFO – Chief Financial Officer

CRF – Consolidated Revenue Fund

DAOD - Defence Administrative Orders and Directives

DFA – Director Financial Accounting

DFC - Director Financial Controls

DFP – Director Financial Policy

DFSI – Director Financial Systems Integration

DGFOS – Director General, Financial Operations and Services

DGSFG – Director General, Strategic Financial Governance

DIPGA – Director Investment Planning, Governance and Analysis

DM – Deputy Minister

DMPP – Director Material Policy and Procedures

DND – Department of National Defence

FAA – Financial Administration Act

FAM – Financial Administration Manual

FCR – Financial Control and Reconciliation

FM – Financial Management

IS – Interdepartmental Settlement

JAG – Judge Advocate General

L1 – Level One

MND – Minister of National Defence

MoU - Memorandum of Understanding

OGD – Other Government Department

PAM – Procurement Administration Manual

PAYE – Payable at Year-End

PCO – Privy Council Office

RAYE – Receivable at Year-End

RC – Responsibility Centre

RDAO – Regional Departmental Accounting Office

RG – Receiver General

SOP – Standard Operating Procedure

TB – Treasury Board

TBS – Treasury Board Secretariat

## **Appendix B – Sample Memorandum of Understanding**

### **Memorandum of Understanding (MoU)**

#### **Between [Department Funding (F)] and [Department Spending (S)]**

##### **Introduction**

This section typically describes the mandates or capabilities of the parties involved and the overall goal of the agreement. For example, “Whereas Department S has the authority, capacity and expertise to administer XYZ program and “Whereas Department F has the authority but requires assistance from Department S for the XYZ program”, therefore “Department S agrees to administer program XYZ service to Department F on a cost recovered basis”.

##### **Commencement and Duration**

This section outlines the start and end dates of the agreement.

##### **Purpose and objectives**

This section defines the specific intent of the program and the expected outcomes for all parties to the OGD suspense account MoU.

## **Financial Arrangements**

This section outlines the overall financial arrangements for the relationship. In cases where only a MoU is required, this section outlines the specific fee and internal charging for the program.

Upon signature of this MoU, Department F will provide an initial OGD suspense account advance of CDN\$XXX, vote XXXX through an Interdepartmental Settlement to Department S for the delegated activities, prior to the commencement of any work.

Subsequent advances may be issued through an Interdepartmental Settlement to Department S, based on forecasted eligible costs as established by the Department F. Internal charging for Department S fees was calculated to be \$XXXX for salaries and other operating costs.

The OGD suspense account (i.e., debtor and creditor department) must be cleared at the end of the fiscal year and all expenditures accounted for within the appropriations of Department F.

## **Reporting**

Department S must provide to Department F a minimum of 3 detailed quarterly financial reports, starting in July XXXX so that the expenditures incurred can be recorded by Department F in a timely manner.

## **Authorities and Accountabilities**

Department F certifies that it has the legislative authority by virtue of the Appropriation Act and the Financial Administration Act (FAA) to carry out the activities/program XYZ required by this MoU and to delegate to Department S the activities described in this MoU.

Department F remains accountable for the overall implementation of the program while Department S will carry out the activities in accordance with the terms and conditions of this MoU. Department S will seek FAA Section 33 Payment Authority from the Minister of Department F to process payments for OGD Suspense Account. A list of the specific positions within Department S that delegated authorities for the incumbents will be sought is found in Annex B-1.

## **Relative Roles and Responsibilities/Governance**

This section identifies the governance structure that will oversee and guide the relationship. It outlines the specific roles and responsibilities to be assumed by each party and how key planning and financial decisions will be made, as necessary. Department F and Department S confirm they have in place the systems, procedures and resources for ensuring due diligence in the management and administration of program. Furthermore, incumbents of the positions performing account verification and certification activities pursuant to FAA Section 34 have the necessary knowledge and training.

Department S will identify the positions that will be performing financial delegations and the Minister of Department F will delegate spending authorities (FAA Sec 33 minimum) to them in [Annex B-1](#). Both departments' staff are responsible to ensure a valid audit trail exists and is kept to financially document all payments such as contracts, MoU, delegation letter, receipt documents, invoices, FAA certifications and all other relevant documents.

### **Designated Officials**

This section identifies who in each party will be accountable for the implementation and for the operation of the MoU.

### **Dispute Resolution**

This section identifies how any disputes arising from the implementation of the MoU will be resolved and how issues that cannot be resolved will be escalated to higher authorities.

### **Amendments and Termination**

Amendments to the agreement will be made (e.g., in writing and with the mutual consent of both parties) and this includes the termination of the agreement by the undersigned responsible DGs or ADM levels or equivalent.

### **Signatories**

It is anticipated that the parties to any MoU for an OGD suspense account will identify individual office holders who are accountable for the actions being undertaken.

By signing below, approvers indicate their acceptance of all terms and conditions outlined in this Agreement.

<b>Approvers Name Title</b>	<b>Approval Date</b>
[Signature] [The MoU should be signed at the Designated Official, DG/ADM]	[YYYY-MM-DD]
[Signature] [The MoU should be signed at the Designated Official, DG/ADM]	[YYYY-MM-DD]

### **Agreement Termination Signatories**

<b>Approvers Name Title</b>	<b>Date</b>
[Signature] [The MoU should be signed at the Designated Official, DG/ADM level]	[YYYY-MM-DD]
[Signature] [The MoU should be signed at the Designated Official, DG/ADM level]	[YYYY-MM-DD]

### **Annex B-1 – Sample Delegation of DND/CAF Financial Signing Authorities to Department S**

In support of the Interdepartmental Memorandum of Understanding on Program XYZ between DND and Department S. I hereby authorize employees of Department S who occupy relevant positions \_\_\_\_\_ to requisition and approve related expenditures and make payments on behalf of the Department of National Defence for mutually concurred upon activities up to the advance.

I hereby delegate the authority to requisition, spend and certify payment authorities for the OGD advance pursuant to Section 33 of the *Financial Administration Act* for \_\_\_\_\_ incurred on behalf of DND. FAA payment authorities are granted on the basis that Department S has the systems, procedures and resources in place for ensuring due diligence in the management and



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administration of the required program activities, as outlined in the attached Memorandum of Understanding.

In accepting this delegation, it is understood that Department S will ensure that all policy and procedural requirements of the Treasury Board *Directive on Delegation of Financial Authorities for Disbursements* will be met in the use of this delegation. This delegation is in effect on the date it is signed and expires YYYY-MM-DD, unless amendments to the MOU or an update to the Delegation of Authority instrument necessitates a new delegation letter.

**Approver**

[Signature][Must be signed by the MND and DM if applicable]

Name

Title

**Approval Date**

[YYYY-MM-DD]

**Appendix C – Sample listing of possible DND OGD purchases that should or should not use an OGD Suspense Account (non-exhaustive)**

Type of federal expenditure	Mandated Department	Use an OGD Suspense Account or Interdepartmental Settlement (IS)	Expenditure recorded by DND and/or OGD	MoU/Written agreement/Email
DND purchases a betterment to a building through PSPC contract	DND	Interdepartmental Settlement (IS)	DND after IS	Written service agreement DND to pay PSPC for mandatory enterprise services
Buy a defence communication capability, one time purchase lead by NRCan as they have the unique expertise	DND	OGD suspense account where DND is funding NRCan to administer a CAF purchase	DND is funding department and it is within mandate and financial authorities <sup>1</sup>	MoU in accordance with DAOD 7014-0 and DAOD 7014-1
DND purchases IT assets through SSC for mandatory enterprise services	DND	IS. Common service department	DND after IS	Written service agreement to support the IS, which details SSC ownership and control
Share new program costs where the system was developed by the lead RCMP with some costs for DND	DND and RCMP	OGD suspense account, <u>but only if</u> each department can't pay their portion and it is not an ongoing arrangement	DND and RCMP	MoU in accordance with DAOD 7014-0 and DAOD 7014-1 details intellectual property rights, security, use and ownership, etc.

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Type of federal expenditure	Mandated Department	Use an OGD Suspense Account or Interdepartmental Settlement (IS)	Expenditure recorded by DND and/or OGD	MoU/Written agreement/Email
Pay for low cost hospitality of the DND DM's cost only which was hosted and paid by the Privy Council Office	DND and PCO	IS	DND and PCO	Email with hospitality details and cost to support the transfer of funds to be paid by DND
DND Compensation for Employers of Reservists Program grant and ESDC administers the program	DND and ESDC	OGD Suspense Account year 1 then transfer through main estimates	DND	MOU in accordance with DAOD 7014-0 and DAOD 7014-1
Repair DND building heating system where NRCan is the lead department on a project to reduce greenhouse gas emissions	DND and NRCan	IS where NRCan will charge DND the cost and utilize their Vote Net Revenue Authority to record respendable revenue <sup>2</sup>	DND	Written service agreement to support the IS

Note 1: Consultation with the Level 1 Comptroller, DIPGA and/or CFLA is recommended for material, recurring OGD suspense account arrangements where the mandate is not clear for the funding department. For this example, the DND purchase is to be used in conjunction with NRCan satellites and the scientists within NRCan have the unique expertise and control not readily available to DND.

Note 2: Vote Net Revenue is the recommended tool when the OGD is providing ongoing service to DND and they have or can request the required TB authority to re-spend the revenues charged to the OGD.

Reminder: OGD Suspense Accounts are discouraged for large, recurring items and IS use is preferred for most common services arrangements where the department has an authority to spend revenues, as purchases of goods should be direct to market and not internally with OGD.