

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Inventory and Related Property			
		impairment from performance of physical asset/inventory counts (Tier 1 Asset Documentation).	
		DD Form 1150 – Request for Issue/Transfer/Turn-In	
INV.5	IT General and Application Controls may not be appropriately designed or operating effectively (FISCAM)	All material systems achieve the relevant FISCAM IT general- and application-level general control objectives.	See FIAR Guidance Section 3.D.2, "Systems (IT) Controls," for additional details related to IT General and Application Controls audit readiness activities

Footnote Disclosures

Reporting entities are responsible for ensuring the completeness and accuracy of data provided to OUSD(C) for the preparation of the **Inventory and Related Property** footnote disclosures included in **Note 9** of the FY 2014 DoD Agency Financial Report. OMB Circular A-136, *Financial Reporting Requirements*, specifies fundamental requirements for the Inventory and Related Property footnote disclosures that reporting entities must consider in carrying out audit readiness activities. The Financial Reporting assessable unit in the FIAR Guidance provides further details with respect to audit readiness outcomes that address the presentation and disclosure assertion for the financial statement line items.

5.D.1.5 GENERAL PROPERTY, PLANT AND EQUIPMENT

5.D.1.5.1 General Equipment

General Equipment is included as General Property, Plant & Equipment (G-PP&E) and consists of tangible assets that have an estimated useful life of 2 or more years; are not intended for sale in the ordinary course of operations; **do not ordinarily lose their identity or become a component part of another item when put into use**; and, are intended to be used or available for use by the reporting entity.

Reporting entities must be able to assert the audit readiness of all business processes and sub-processes associated with General Equipment, including acquisitions, depreciation, transfers, dispositions and general ledger recording. Furthermore, reporting entities should have controls in place to properly account for General Equipment acquired by and/or in the possession of contractors. The nature of the item, rather than who has possession of the asset, is the basis for proper accountability.

Standards and Guidance

Additional sources of guidance pertaining to financial management, accounting and record retention policies for General Equipment are contained in the following table.

Financial Management and Accounting Guidance	Record Retention Policies
- SFFAS No. 6, 11, 35, 44 (and amendments) - Technical Release (TR): 13, 14 - DoD FMR: Volume 4, Chapter 6 - DoDI 5000.64, <i>Accountability and Management of DoD Equipment and Other Accountable Property</i>	- National Archives and Records Administration (NARA) General Records Schedule (GRS) 1.1 - FMR: Volume 1, Chapter 9

Financial Management and Accounting Guidance	Record Retention Policies
- DCFO Policy Memorandum: <i>Strategy and Implementation Guidance for General Equipment Valuation</i> issued 03/14/2016 - DCFO Memorandum: <i>Accurate and Reliable DoD Component-level Financial Management Trial Balances</i>	

Balance By Reporting Entity

The following reporting entities comprise the General Equipment line item.

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ 70,274,149,514	16.5%
Air Force GF	80,935,549,386	19.0%
Navy GF	243,946,797,476	57.2%
Marine Corp GF	9,331,954,844	2.2%
Navy WCF	517,506,185	0.1%
Air Force WCF	961,811,361	0.2%
Army WCF	440,995,555	0.1%
Marine Corp WCF	18,975,969	0.0%
USACE – Civil Works Program	983,342,201	0.2%
Subtotal - OMB Design. Audit	\$ 407,411,082,493	95.5%
DoD Designated Audit		
DHA – Comptroller FOD	\$ 6,907,454	0.0%
DHA - USUHS	5,317,390	0.0%
DLA WCF	207,874,929	0.0%
DLA Strategic Materials	2,130,643	0.0%
DoD Component Level Accounts	110,405,321	0.0%
U.S. Special Operations Command	16,156,609,429	3.8%
DISA WCF	443,843,613	0.1%
DISA GF	89,188,719	0.0%
TRANSCOM - Air Mobility Command	19,873,350	0.0%
TRANSCOM - Military SDDC	20,557,766	0.0%
TRANSCOM - Military Sealift Command	145,250	0.0%
TRANSCOM - Command Staff	8,447,982	0.0%
DeCA WCF	15,551,507	0.0%
DeCA GF	61,833,103	0.0%
DFAS WCF	33,575,971	0.0%
Subtotal - DoD Design. Audit	\$ 17,182,262,428	4.0%
DoD Designated Examination		
Washington Headquarters Services (WHS)	\$ 12,163,134	0.0%
WHS - Office of the SecDef	98,462,716	0.0%
Missile Defense Agency	1,738,178,104	0.4%
Chemical Biological Defense Program	48,515	0.0%
Defense Contract Mgmt Agency	3,053,488	0.0%
Defense Threat Reduction Agency	1,856,832	0.0%
Joint Staff (includes NDU)	38,964,852	0.0%
Subtotal - DoD Design. Exam	\$ 1,892,727,640	0.4%
DoD Non-material Reporting Entities		
Other Reporting Entities	47,378,165	0.0%
Total	\$ 426,533,450,726	100.0%

Source: FY 2015 Reporting Entity DDRS-AFS Footnote Data

Line Item Audit Readiness Considerations

The following table presents financial reporting risks, Outcomes Demonstrating Audit Readiness and KSDs specific to General Equipment. In order to assert audit readiness for this line item, reporting entities must demonstrate that effective controls are in place to achieve the Outcomes Demonstrating Audit Readiness relative to the risk associated with the assertion (as noted in the table). The suggested test procedures can

be used to test key controls operating within the business processes affecting General Equipment and assess the availability of KSDs that support the controls and amounts recorded.

Key Supporting Documentation Types

Within the table, different levels or tiers of KSDs have been identified, which reporting entities may use to demonstrate financial statement assertions. In accordance with auditing standards, the most robust documentation, presented as Tier 1, should be used whenever possible. When Tier 1 documentation is unavailable, reporting entities should move down to Tier 2. Additional documentation, including reporting entity-specific documentation, may exist that is equivalent to or supplements the KSDs detailed in the table. KSDs for General Equipment are also presented in **Appendix B - FIAR Strategy, Risks, Financial Reporting Objectives and Key Supporting Documents**.

Financial Reporting Risks		Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
General Equipment				
GE.1 WAVE 3 WAVE 4	Recorded General Equipment may not exist at a given date, does not pertain to the reporting entity, or may be improperly classified and summarized (E) (Wave 3, ROMM #1, #2, #3, #4, #5, and #6; Wave 4, ROMM #17, #19, #20, #21, and #22)	Recorded General Equipment exists at a given date, is supported by appropriate detailed records that are accurately summarized and reconciled to the APSR (Wave 3, FRO #2, #3, #4, #7, and #8)	Physical inventory count documentation (inventory instructions, completed inventory count sheets (indicating items selected from the "book" and physically inspected on the "floor"), preparer/reviewer signatures and supporting documentation evidencing resolution of differences). Physical inventory counts must include sufficient statistical coverage of the population and comply with applicable requirements (e.g., DoDI 5000.64, Enclosure 3, Section 11) (Tier 1 Asset Documentation). Obligating documents supporting asset acquisition and any related asset improvements, such as contracts/statements of work, work orders, reimbursable agreements, MIPRs, purchase orders, receiving reports and invoices, and appraisal reports for donated assets. Note: Documentation must demonstrate how a modification increases functionality and the estimated useful life of the asset (Tier 2 Asset Documentation). Reconciliation of detailed listing of all assets from APSRs/source systems to trial balance and general ledger (Tier 1 Asset Documentation).	Physically observe general equipment counts being performed and examine documentation to determine whether: - the count was conducted at fiscal year-end, or shortly thereafter (within 10 business days of the end of the fiscal year) - evidence exists to support the review and approval of counts and supporting adjusting entries to property records by an authorized official. Select a sample of general equipment assets from the APSR and physically inspect assets to determine whether: - the selected asset physically exists. In cases where assets do not exist, determine whether assets have been appropriately transferred or disposed of, and sufficient documentation exists to support the transfer/disposal - the selected general equipment is properly classified in the APSR and general ledger. Note: if applicable, this sample should include a sub-sample of government furnished general equipment (i.e., equipment in the possession of

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
General Equipment			
		Summary schedule reporting the amounts/quantities by class of assets (Tier 1 Asset Documentation). Documentation supporting any retirements, transfers, sales, or other disposal of idle, excess, obsolete, or otherwise unusable assets such as: - Request for Transfer of Excess Real and Related Personal Property (GSA Form 1334) - Declaration of Excess document - approval documentation (to include disposal of land) - documents supporting disposal start date - documents supporting determination of impairment from performance of physical asset/inventory counts (Tier 1 Asset Documentation). DD Form 1150 – Request for Issue/Transfer/Turn-In	contractors). Select a sample of general equipment disposals (i.e., transfers out, donations, demolition) and examine documentation to determine whether: - disposal was authorized and approved by appropriate official - disposal was recorded timely and accurately. Verify that General Equipment subledgers reconcile to general ledger (G/L) accounts and G/L accounts agree to the financial statements of the reporting entity
GE.2 WAVE 3 WAVE 4	General Equipment transactions may not be recorded, may not be recorded in the current period, or may be improperly classified and summarized (C) (Wave 3, ROMM #7, #8, and #9; Wave 4, ROMM #40, #42, #43, and #44)	All General Equipment transactions are recorded (physical inventory of equipment assets reconciles to APSR records) and properly classified (Vehicle Identification Number, Serial Number, Bureau Number, Unique Item Identifier) within the Accountable Property System of Record and general ledger (Wave 3, FRO #1, #6, #9, and #10)	Physical inventory count documentation (inventory instructions, completed inventory count sheets (indicating items selected from the "floor" and traced back to the "book"), preparer/reviewer signatures and supporting documentation evidencing resolution of differences). Physical inventory counts must include sufficient statistical coverage of the population and comply with applicable OUSD(AT&L) requirements (Tier 1 Asset Documentation). Asset logs (e.g., maintenance logs or usage logs) that are reconciled to the APSR, demonstrating the completeness of the APSR population (Tier 2 Physically observe general equipment counts being performed and examine documentation to determine whether: - the count was conducted at fiscal year-end, or shortly thereafter (within 10 business days of the end of the fiscal year) - evidence exists to support the review and approval of counts and supporting adjusting entries to property records by an authorized official. Select a sample of general equipment and determine whether: - the general equipment is appropriately entered in the APSR and general

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
General Equipment			
		Asset Documentation). Mission-management/ logistics data (if different from the APSRs) used by leadership to track, deploy or distribute assets, reconciled to the APSR demonstrating the completeness of the APSR population (Tier 2 Asset Documentation). Obligating documents supporting asset acquisition and any related asset improvements, such as contracts/statements of work, work orders, reimbursable agreements, MIPRs, purchase orders, receiving reports and invoices, and appraisal reports for donated assets. Note: Documentation must demonstrate how a modification increases functionality and the estimated useful life of the asset (Tier 2 Asset Documentation). Reconciliation of detailed listing of all assets from APSRs/source systems to trial balance and general ledger (Tier 1 Asset Documentation). Summary schedule reporting the amounts/quantities by class of assets (Tier 1 Asset Documentation). DD Form 1150 – Request for Issue/Transfer/Turn-In	ledger. In cases where assets are not entered in the APSR, review documentation and perform inquiries of appropriate personnel to determine whether a rational basis exists for the omission • general equipment is properly classified in the accountable property system of record (APSR) and general ledger. Note: If applicable, this sample should include a sub-sample of government furnished general equipment (i.e., equipment in the possession of contractors). Select a sample of general equipment additions (i.e., constructions, transfers in, donated) and examine documentation to determine whether: • construction in progress costs were recorded in correct accounts at the correct amounts • all construction in progress costs were accurately charged to the cost of the asset • sufficient, accurate, and relevant documentation exists to support all property acquisition costs (i.e., invoices) • general equipment has been capitalized in accordance with the reporting entity's capitalization policy and FMR 7000.14, as revised • the recorded useful life/recovery period is in accordance with the reporting entity's policies and FMR 7000.14, as revised • the "Placed-in-Service Date" is appropriate and supported by adequate documentation. Select a sample of general

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
General Equipment			
			equipment disposals (i.e., transfers out, donations, demolition) and examine documentation to determine whether: - disposal was authorized and approved by appropriate official - disposal was recorded timely and accurately. Select a sample of related expenses and examine documentation to determine whether expenses contain transactions that should be capitalized as current year additions to general equipment.
GE.3 WAVE 4	General Equipment transactions (acquisitions, disposals) may be recorded at incorrect amounts, or General Equipment may be valued on an inappropriate basis (V) (Wave 4, ROMM #62, #64, #65, and #66)	General Equipment transactions (all acquisitions, disposals, maintenance) are recorded at correct amounts, and General Equipment assets are valued on an appropriate valuation basis (Wave 4, FRO #13 and #14) Obligating documents supporting asset acquisition cost and any related asset improvements, such as contracts/statements of work, work orders, reimbursable agreements, MIPRs, purchase orders, receiving reports and invoices, and appraisal reports for donated assets. Note: Documentation must demonstrate how a modification increases functionality and the estimated useful life of the asset (Tier 2 Asset Documentation). Documentation supporting "placed-in-service" date (e.g., DD-1354, "Transfer and Acceptance of Real Property," DD-250, "Material Inspection and Receiving Report," receiving report), including documentation supporting the useful life estimate for recognition of depreciation expense (Tier 1 Asset Documentation). Documentation supporting mathematical calculations for recorded depreciation/amortization (demonstrating that the system is correctly calculating depreciation/amortization)	Select a sample of general equipment additions (i.e., constructions, transfers in, donated) and examine documentation to determine whether: - all costs to bring general equipment into service (i.e., freight, installation, moving, and holding costs) were recorded as part of asset - costs to make any enhancement or modification to the general equipment that increased the useful life and/or added new capabilities were appropriately capitalized and added to the full cost of the asset - routine repair or maintenance costs were appropriately and timely expensed (i.e., charged to the correct GL account) - depreciation expense was recorded accurately and timely - construction in progress costs were recorded in correct accounts at the correct amounts - all construction in progress costs were accurately charged to the cost of the asset - sufficient, accurate, and relevant documentation exists to support all

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
General Equipment			
		expense for a sample of assets, appropriately considering additions/betterments, etc. that may affect useful lives and acquisition costs over the life of assets) (Tier 1 Asset Documentation). Reconciliation of detailed listing of all assets from APSRs/source systems to trial balance and general ledger (Tier 1 Asset Documentation). Summary schedule reporting the amounts/quantities by class of assets (Tier 1 Asset Documentation). Reconciliation demonstrating how totals in the detail listing agree to the amounts/quantities reported in the summary schedule (Tier 1 Asset Documentation). Documentation supporting any retirements, transfers, sales, or other disposal of idle, excess, obsolete, or otherwise unusable assets such as: - Request for Transfer of Excess Real and Related Personal Property (GSA Form 1334) - Declaration of Excess document - approval documentation (to include disposal of land) - documents supporting disposal start date - documents supporting determination of impairment from performance of physical asset/inventory counts (Tier 1 Asset Documentation).	property acquisition costs (i.e., invoices) - general equipment has been capitalized in accordance with the reporting entity's capitalization policy and FMR 7000.14, as revised - the recorded useful life/recovery period is in accordance with the reporting entity's policies and FMR 7000.14, as revised - the "Placed-in-Service Date" is appropriate and supported by adequate documentation. Select a sample of general equipment disposals (i.e., transfers out, donations, demolition) and examine documentation to determine whether: - disposal was recorded at the net realizable value (full historical cost – accumulated depreciation) - any loss/gain on disposal was properly and accurately recorded. Verify that all impairments are identified timely and all asset adjustments are recorded accurately, and in the correct accounting period. Select a sample of general equipment assets and verify the following: - the validity of useful life and estimated salvage value for the purpose of calculating depreciation expense - the validity of the depreciation method in conformity with U.S. GAAP - accuracy of recorded current year depreciation expense and accumulated depreciation. Select a sample of related

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General Equipment			
GE.4 WAVE 3 WAVE 4	Recorded General Equipment may not pertain to nor is rightfully owned by the reporting entity (R) (Wave 3, ROMM #13 and #14; Wave 4, ROMM #71)	The reporting entity has rights to the recorded General Equipment at a given date (Wave 3, FRO #5) Contract documentation, including (for base assets and asset modifications): • Statement of Work • Contract clauses that define who owns assets and when the reporting entity takes possession • Purchase Orders • Receiving report or other acceptance document (e.g., DD-250, "Material Inspection and Receiving Report") (Tier 2 Asset Documentation). Other estimation techniques that can be used to estimate the size of the population with tolerable precision and then compared to the APSR population to demonstrate completeness (Tier 2 Asset Documentation). Physical indicators of ownership rights, including a combination of: • Assets located on reporting entity facility • Assets tagged with identification numbers (e.g., barcodes or tail numbers) that indicate reporting entity ownership • Assets are marked with the reporting entity's name (or other coding or naming conventions) that demonstrate the reporting entity's control over the asset • Other evidence of exclusive rights to use assets (Tier 2 Asset Documentation). Obligating documents supporting asset	expenses and examine documentation to determine whether expenses contain transactions that should be capitalized as current year additions to equipment. Select a sample of general equipment assets from the APSR and physically inspect assets to determine whether the reporting entity controls/owns the asset and has the right to report the asset in the APSR and general ledger. Select a sample of general equipment and determine whether documentation exists (i.e., DD-250) to evidence ownership/control and the right to report the general equipment in its financial records. Note: If applicable, this sample should include a sub-sample of government furnished general equipment (i.e., equipment in the possession of contractors).

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
General Equipment			
		acquisition and any related asset improvements, such as contracts/statements of work, work orders, reimbursable agreements, MIPRs, purchase orders, receiving reports and invoices, and appraisal reports for donated assets. Note: Documentation must demonstrate how a modification increases functionality and the estimated useful life of the asset (Tier 2 Asset Documentation). Documentation supporting "placed-in-service" date (e.g., DD-1354, "Transfer and Acceptance of Real Property," DD-250, "Material Inspection and Receiving Report," receiving report), including documentation supporting the useful life estimate for recognition of depreciation expense (Tier 1 Asset Documentation). Documentation supporting any retirements, transfers, sales, or other disposal of idle, excess, obsolete, or otherwise unusable assets such as: • Request for Transfer of Excess Real and Related Personal Property (GSA Form 1334) • Declaration of Excess document • approval documentation (to include disposal of land) • documents supporting disposal start date • documents supporting determination of impairment from performance of physical asset/inventory counts (Tier 1 Asset Documentation). DD Form 1150 – Request for Issue/Transfer/Turn-In	

Financial Reporting Risks		Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
General Equipment				
GE.5	IT General and Application Controls may not be appropriately designed or operating effectively (FISCAM)	All material systems achieve the relevant FISCAM IT general- and application-level general control objectives.	See FIAR Guidance Section 3.D.2, "Systems (IT) Controls," for additional details related to IT General and Application Controls audit readiness activities	

Footnote Disclosures

Reporting entities are responsible for ensuring the completeness and accuracy of data provided to OUSD(C) for the preparation of the **General Property, Plant and Equipment, Net** footnote disclosures included in **Note 10** of the FY 2014 DoD Agency Financial Report. OMB Circular A-136, *Financial Reporting Requirements*, specifies fundamental requirements for General Property, Plant and Equipment, Net footnote disclosures that reporting entities must consider in carrying out audit readiness activities. The Financial Reporting assessable unit in the FIAR Guidance provides further details with respect to audit readiness outcomes that address the presentation and disclosure assertion for the financial statement line items.

5.D.1.5.2 Real Property

Real Property is included as General Property, Plant & Equipment (G-PP&E) on the Balance Sheet and includes Land, Buildings, Structures, Facilities, and Leasehold Improvements. Real Property also includes Stewardship Land that includes both land and land rights owned by the Department, but not acquired for, or in connection with, items of G-PP&E. All land provided to the Department from the public domain or at no cost, regardless of its use, is classified as Stewardship Land. Reporting entities must be able to assert the audit readiness of all business processes and sub-processes associated with Real Property, including acquisitions, capitalization, depreciation, general ledger recording, and **financial reporting**.

Standards and Guidance

Additional sources of guidance pertaining to financial management, accounting and record retention policies for Real Property are contained in the following table.

Financial Management and Accounting Guidance	Record Retention Policies
- SFFAS No. 6 - DoD FMR: Volume 4, Chapter 11; Volume 6B, Chapter 4 - DoD Instruction 4165.14, <i>Real Property Inventory (RPI) and Forecasting</i> - DCFO Policy Memoranda: <i>Accounting Policy Update for Financial Statement Reporting for Real Property</i> issued 09/30/2015; <i>Alternative Valuation Methodology for Establishing Opening Balances for Buildings, Structures and Linear Structures</i> issued 01/19/2016 - DCFO Memorandum: <i>Accurate and Reliable DoD Component-level Financial Management Trial Balances</i>	- National Archives and Records Administration (NARA) General Records Schedule (GRS) 1.1 - FMR: Volume 1, Chapter 9

Balance By Reporting Entity

The following reporting entities comprise the Real Property line item.

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ 63,178,312,326	31.7%
Air Force GF	41,087,713,357	20.6%