

Footnote Disclosures

Reporting entities are responsible for ensuring the completeness and accuracy of data provided to OUSD(C) for the preparation of the **Other Assets** footnote disclosures included in **Note 6** of the FY 2014 DoD Agency Financial Report. OMB Circular A-136, *Financial Reporting Requirements*, specifies fundamental requirements for Other Asset 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.1.7 ACCOUNTS PAYABLE

Accounts Payable represents amounts owed for goods and services received from other entities, progress in contract performance made by other entities and rents due to other entities. Reporting entities must be able to assert the audit readiness of all business processes and sub-processes including the recording of Accounts Payable due to vendors and federal entities and recording accruals for purchased or contracted goods or services.

Intragovernmental vs. Non-Federal

Reporting entities are required to reconcile Intragovernmental transactions and balances with their federal trading partners throughout the course of the fiscal year. The suggested test procedures for AP.1 – AP.2 and AP.4 – AP.7 can be leveraged to test both Intragovernmental and Non-Federal Accounts Payable. The suggested test procedures provided in AP.3 are for Intragovernmental Accounts Payable only. Specific considerations that apply to the -presentation and disclosure assertion for Intragovernmental transactions, including Intragovernmental Accounts Payable, are covered in the Financial Reporting assessable unit.

Standards and Guidance

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

Financial Management and Accounting Guidance	Record Retention Policies
- SFFAS No. 1, 4, 5, 30 (and amendments) - DoD FMR: Volume 4, Chapter 9 - 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 - DoD FMR: Volume 1, Chapter 9

Balance By Reporting Entity

The following reporting entities comprise the Intragovernmental Accounts Payable line item.

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ 1,744,842,564	22.6%
Air Force GF	2,012,405,379	26.0%
Navy GF	1,246,554,581	16.1%
Marine Corp GF	159,502,760	2.1%
Navy WCF	310,398,822	4.0%
Air Force WCF	176,829,308	2.3%
Army WCF	105,766,207	1.4%
Marine Corp WCF	13,431,893	0.2%
USACE – Civil Works Program	53,761,462	0.7%
Subtotal - OMB Design. Audit	\$ 5,823,492,977	75.4%

Reporting Entities	FY 2015 Balance	% of Total
DoD Designated Audit		
DHA - Contract Resource Mgmt	\$ 57,245,622	0.7%
DHA - Comptroller FOD	23,419,369	0.3%
DHA - USUHS	786,973	0.0%
DHA - SMA/Army	65,319,358	0.8%
DHA - SMA/Navy	40,379,401	0.5%
DHA - SMA/Air Force	48,635,573	0.6%
DHA - SMA/NCR	5,746,825	0.1%
MERHCF	191,168,975	2.5%
DLA WCF	117,931,881	1.5%
DLA GF	8,843,580	0.1%
DLA Strategic Materials	1,647,954	0.0%
DoD Component Level Accounts	893,075,865	11.6%
U.S. Special Operations Command	79,504,175	1.0%
DISA WCF	46,401,069	0.6%
DISA GF	140,970,268	1.8%
TRANSCOM - Air Mobility Command	103,643,428	1.3%
TRANSCOM - Military SDDC	(14,349,643)	-0.2%
TRANSCOM - Military Sealift Command	(2,370,607)	0.0%
TRANSCOM - Command Staff	23,706,001	0.3%
TRANSCOM - Defense Courier Division	441,109	0.0%
TRANSCOM - Component Level	13,037,767	0.2%
DeCA WCF	33,790,054	0.4%
DeCA GF	14,088,062	0.2%
DFAS WCF	23,003,472	0.3%
Defense Contract Audit Agency	2,068,600	0.0%
Subtotal - DoD Design. Audit	\$ 1,918,135,131	24.8%
DoD Designated Examination		
Washington Headquarters Services (WHS)	\$ 86,923,134	1.1%
WHS - Office of the SecDef	(232,397,753)	-3.0%
WHS - Pnt Res Mtn Rev Fund & PFPA	3,152,491	0.0%
WHS - DoD Test Resource Mgmt Ctr	(84,711)	0.0%
WHS - Civilian Military Program	50,961	0.0%
WHS - Defense Legal Services Agency	33,432	0.0%
Missile Defense Agency	5,768,312	0.1%
Defense Security Cooperation Agency	1,208,506	0.0%
DoD Education Activity	36,392,326	0.5%
DARPA	5,210,844	0.1%
Other TI-97 Funds - Army	10,222,766	0.1%
Chemical Biological Defense Program	5,024,999	0.1%
Defense Contract Mgmt Agency	4,884,858	0.1%
Defense Threat Reduction Agency	330,893	0.0%
Joint Staff (includes NDU)	(119,800)	0.0%
Subtotal - DoD Design. Exam	\$ (73,398,744)	-0.9%
DoD Non-material Reporting Entities		
Other Reporting Entities	58,871,404	0.8%
Total	\$ 7,727,100,768	100.0%

Source: FY 2015 Reporting Entity DDRS-AFS Balance Sheets

The following reporting entities comprise the Non-Federal Accounts Payable line item.

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ 516,913,783	2.7%
Air Force GF	3,513,528,147	18.6%
Navy GF	368,147,780	1.9%
Marine Corp GF	357,464,904	1.9%
Navy WCF	4,025,738,225	21.3%
Air Force WCF	538,004,552	2.8%
Army WCF	171,555,473	0.9%
Marine Corp WCF	264,509,087	1.4%

Reporting Entities	FY 2015 Balance	% of Total
USACE – Civil Works Program	572,124,627	3.0%
Subtotal - OMB Design. Audit	\$ 10,327,986,579	54.6%
DoD Designated Audit		
DHA - Contract Resource Mgmt	\$ 450,701,017	2.4%
DHA – Comptroller FOD	9,004,263	0.0%
DHA - USUHS	4,332,072	0.0%
DHA - SMA/Army	211,804,322	1.1%
DHA - SMA/Navy	85,993,038	0.5%
DHA - SMA/Air Force	6,942,958	0.0%
DHA - SMA/NCR	20,715,747	0.1%
MERHCF	167,615,132	0.9%
DLA WCF	2,085,234,305	11.0%
DLA GF	41,564,199	0.2%
DLA Strategic Materials	643,998	0.0%
DoD Component Level Accounts	107,605,111	0.6%
U.S. Special Operations Command	1,618,318,632	8.6%
DISA WCF	898,248,511	4.8%
DISA GF	43,052,521	0.2%
TRANSCOM - Air Mobility Command	363,191,340	1.9%
TRANSCOM - Military SDDC	242,935,930	1.3%
TRANSCOM - Military Sealift Command	139,765,674	0.7%
TRANSCOM - Command Staff	7,491,975	0.0%
TRANSCOM - Defense Courier Division	912,361	0.0%
TRANSCOM - Component Level	(45,836,656)	-0.2%
DeCA WCF	370,934,238	2.0%
DeCA GF	11,207,766	0.1%
DFAS WCF	24,633,643	0.1%
Defense Contract Audit Agency	7,540,475	0.0%
Subtotal - DoD Design. Audit	\$ 6,874,552,570	36.4%
DoD Designated Examination		
Washington Headquarters Services (WHS)	\$ 15,386,059	0.1%
WHS - Office of the SecDef	536,860,891	2.8%
WHS - Pnt Res Mtn Rev Fund & PFPA	38,998,181	0.2%
WHS - Building Maintenance Fund	3,285,688	0.0%
WHS - DoD Test Resource Mgmt Ctr	28,819,432	0.2%
WHS - Civilian Military Program	4,233,034	0.0%
WHS - U.S. Court of Appeals, A.F.	148,280	0.0%
WHS - Defense Legal Services Agency	837,378	0.0%
Missile Defense Agency	421,382,191	2.2%
Defense Security Cooperation Agency	(1,181,722)	0.0%
DoD Education Activity	(6,616,918)	0.0%
DARPA	232,298,753	1.2%
Other TI-97 Funds - Army	82,205,661	0.4%
Chemical Biological Defense Program	58,608,068	0.3%
Defense Contract Mgmt Agency	51,420,770	0.3%
Defense Threat Reduction Agency	35,553,448	0.2%
Joint Staff (includes NDU)	4,087,271	0.0%
Subtotal - DoD Design. Exam	\$ 1,506,326,466	8.0%
DoD Non-material Reporting Entities		
Other Reporting Entities	199,071,003	1.1%
Total	\$ 18,907,936,617	100.0%

Source: FY 2015 Reporting Entity DDRS-AFS Balance Sheets

Line Item Audit Readiness Considerations

The following table presents financial reporting risks, Outcomes Demonstrating Audit Readiness and KSDs specific to Accounts Payable. 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 Accounts Payable, and assess the availability of KSDs that support the controls and amounts recorded.

Financial Reporting Risks		Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Accounts Payable				
AP.1	Accruals and/or payables may be recorded inaccurately, may be invalid, or may be improperly classified and summarized (E) (Wave 4, ROMM #12, #13, #19, #20, #21 and #22)	All accruals and/or payables are valid (authorized/approved transactions supported by evidence goods/services were received or otherwise due) (Wave 4, FRO #19)	Billing document such as vendor invoice or equivalent Delegation of Authority Letter (e.g., Form DD-577) Receiving report Accrual estimate support (in instances where invoice has not been received or to support payroll accrual calculation)	Select a sample of recorded Accounts Payable transactions and agree each to appropriate supporting documentation in order to validate that a liability exists and that it pertains to the reporting entity Verify that Accounts Payable subledgers reconcile to general ledger (G/L) accounts and G/L accounts agree to the financial statements of the reporting entity
AP.2	All Accounts Payable may not be recorded timely or are improperly classified or summarized (C) (Wave 4, ROMM #35, #36, #42, #43 and #44)	All Accounts Payable are recorded in the correct period and are properly summarized (Wave 4, FRO #20 and #77)	Billing document such as vendor invoice or equivalent Delegation of Authority Letter (e.g., Form DD-577) Receiving report Accrual estimate support (in instances where invoice has not been received or to support payroll accrual calculation)	Select a sample of disbursements recorded subsequent to period end and examine supporting documentation to verify that: • an Accounts Payable accrual was recorded as of the end of the period (if the disbursement is related to goods/services received prior to the end of the period) • the actual disbursement amount agrees to or is within a reasonable variance of the Accounts Payable accrual estimate • the Accounts Payable accrual methodology is reasonable and documented
AP.3	Accounts Payable may not be properly classified as either Intragovernmental or Non-Federal (E, C)	Recorded Accounts Payable are properly classified as either Intragovernmental or Non-Federal (Wave 4, FRO #78)	Billing document such as vendor invoice or equivalent Delegation of Authority Letter (e.g., Form DD-577) Receiving report Accrual estimate support (in instances where invoice has not been received or to support payroll accrual calculation)	Select a sample of Accounts Payable and obtain supporting documentation to validate that each is properly classified as either Intragovernmental or Non-Federal, and Intragovernmental transactions include the correct trading partner code.

Financial Reporting Risks		Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Accounts Payable				
AP.4	Accounts Payable included in the financial statements are recorded at incorrect amounts or valued on an inappropriate basis (V) (Wave 4, ROMM #56, #57, #64, #65, and #66)	Accounts Payable included in the financial statements are valued correctly, using an appropriate valuation basis (Wave 4, FRO #21)	Billing document such as vendor invoice or equivalent Delegation of Authority Letter (e.g., Form DD-577) Receiving report Accrual estimate support (in instances where invoice has not been received or to support payroll accrual calculation)	Select a sample of recorded Accounts Payable and validate transaction amounts with appropriate supporting documentation. Review accrual amounts on a periodic basis to ensure that the Accounts Payable balance is accurately stated and that all invalid payables are removed in a timely manner.
AP.5	The reporting entity does not have an obligation for recorded Accounts Payable at a given date (R) (Wave 4, ROMM #72)	Recorded Accounts Payable are the reporting entity's obligation at a given date (Wave 4, FRO #22)	Billing document such as vendor invoice or equivalent Delegation of Authority Letter (e.g., Form DD-577) Receiving report Accrual estimate support (in instances where invoice has not been received or to support payroll accrual calculation)	See also Suggested Test Procedures for AP.1
AP.6	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	
AP.7	Budgetary and proprietary interdependencies may not be properly maintained as indicated by tie-point reconciliation variances	Budgetary and proprietary interdependencies are properly maintained and reflected in tie-point reconciliations	Tie-point reconciliations	Review all tie-point reconciliation variances related to Accounts Payable and: • Determine the root cause of the variance • Execute appropriate corrective actions to resolve the variance • Document executed corrective actions Tie-point reconciliations related to Accounts Payable should include: • 49X1 = 21XX, 221X

Footnote Disclosures

Reporting entities are responsible for ensuring the completeness and accuracy of data provided to OUSD(C) for the preparation of the **Accounts Payable** footnote disclosures included as **Note 12** in the FY 2014 DoD Agency Financial Report. Although the Department currently includes an Accounts Payable footnote in its AFR, such a footnote is not a requirement of OMB Circular A-136, *Financial Reporting Requirements*. 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.