

**VOLUME 1, CHAPTER 1: “CHIEF FINANCIAL OFFICER (CFO) OF THE
DEPARTMENT OF DEFENSE”****SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated June 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Inserted and updated hyperlinks.	Update
010602.D	Added Business Integration Directorate responsibilities.	Add
Figure 1-1	Updated the DoD Chief Financial Officer Structure.	Update

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CHAPTER 1

CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE

0101 GENERAL

010101. Purpose

This chapter describes the responsibilities of the Department of Defense (DoD) Chief Financial Officer (CFO) as established by the Chief Financial Officers Act of 1990 (sections [901](#), [902](#), and [903](#) of title 31, United States Code (U.S.C.)—herein referred to as the CFO Act) and [DoD Directive \(DoDD\) 5118.03](#), “Under Secretary of Defense (Comptroller (USD(C)))/Chief Financial Officer (CFO), Department of Defense.”

010102. Overview

The DoD USD(C)/CFO is the Principal Staff Assistant and advisor to the Secretary of Defense for budgetary and fiscal matters (including financial management, accounting policy and systems, managers’ internal control systems, budget formulation and execution, and contract audit administration and organization) and general management improvement programs. The DoD USD(C)/CFO shall manage all functions and responsibilities prescribed in section 902 and section [3515 of title 31, U.S.C.](#) See Figure 1-1 for the DoD Chief Financial Officer Structure.

0102 APPOINTMENT OF CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE

The CFO Act designates DoD as an agency whose CFO is either appointed by the President, by and with the advice and consent of the U.S. Senate; or designated by the President, in consultation with the head of the agency, from among officials of the agency who are required by law to be so appointed. The USD(C), who is appointed by the President and confirmed by the U.S. Senate, is the DoD CFO.

0103 AUTHORITIES AND FUNCTIONS

The DoD USD(C)/CFO is charged with the responsibility of developing and implementing DoD-wide financial management systems and overseeing financial management activities relating to the CFO programs and operations of the DoD. In that capacity, and consistent with the CFO Act, the following authorities and functions are assigned to the DoD USD(C)/CFO:

010301. Reporting

Report directly to the Secretary of Defense regarding financial management matters.

010302. Oversight

Oversee all financial management activities relating to the programs and operations of the DoD. To carry out this responsibility, the DoD USD(C)/CFO has the authority to:

- A. Establish financial management policies for the DoD including its component parts.
- B. Ensure compliance throughout the DoD with applicable accounting policy, standards and principles, as well as financial information and systems functional standards.
- C. Establish, review and enforce internal control policies, standards and compliance guidelines involving financial management.
- D. Provide oversight of financial management activities and operations including: (a) preparation and annual revision of the Financial Improvement and Audit Readiness (FIAR) plan and (b) development of financial management budgets.
- E. Ensure adequate controls over real property, equipment and inventories.
- F. Ensure complete, reliable, consistent, timely and accurate information on disbursements is available in financial management systems.

010303. Financial Management Systems

Develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls, and inform the Business Transformation Agency as to the adequacy of their actions where applicable on systems transformation. Refer to Chapter 3 for financial management systems requirements. Ensure system:

- A. Complies with applicable accounting principles, standards and requirements, and internal control standards;
- B. Complies with such policies and requirements as may be prescribed by the Director of the Office of Management and Budget (OMB);
- C. Complies with any other requirements applicable to such systems; and
- D. Provides for:
 - 1. Complete, reliable, consistent and timely information which is prepared on a uniform basis and which is responsive to the financial information needs of DoD management;
 - 2. The development and reporting of cost information;

3. The integration of accounting and budgeting information; and
4. The systematic measurement of performance.

010304. Recommendations

Make recommendations to the Secretary of Defense regarding the selection of the DoD Deputy CFO.

010305. Management

Direct, manage and provide policy guidance and oversight of DoD financial management activities, personnel, and operations, including:

A. The preparation and annual revision of a DoD plan to implement the 5-year financial management plan prepared by the Director of OMB and to comply with the audited financial statements provisions of the CFO Act.

B. The development of DoD financial management budgets.

C. The recruitment, selection and training of personnel to carry out DoD financial management functions.

D. The approval and management of DoD financial management systems design or enhancement projects.

E. The implementation of DoD asset management systems, including systems for cash management, credit management, debt collection and property inventory management and control.

F. To direct, manage and provide policy guidance and oversight, the DoD USD(C)/CFO, has authority to:

1. Manage directly, and/or monitor, evaluate and approve, the design, budget, development, implementation, operation and enhancement of DoD-wide accounting, financial and asset management systems.

2. Coordinate on the design for other information systems that provide, at least in part, financial and/or program performance data used in budget development and financial statements, to ensure that the DoD USD(C)/CFO needs are met.

3. Ensure that program information systems provide financial and programmatic data (including program performance measures) on a reliable, consistent and timely basis to DoD financial management systems.

4. Evaluate, where appropriate, the installation and operation of such systems.

010306. Performance and Accountability Report (PAR)

As required by [OMB Circular A-136](#) (see Volume 6B for information on the preparation requirements of this report), activities must prepare and transmit an annual report to the Secretary of Defense and the Director of OMB, which shall include:

- A. A description and analysis of the status of financial management within the Department;
- B. Annual financial statements;
- C. Audit reports submitted to the Secretary of Defense addressing financial statements;
- D. A summary of reports on the internal accounting and administrative control systems submitted under the Federal Managers' Financial Integrity Act; and
- E. Other information the Secretary of Defense considers appropriate to fully inform the President and the Congress concerning the financial management of the DoD.

010307. Budget Execution

Monitor the financial execution of the DoD budget in relation to actual expenditures, and prepare and submit to the Secretary of Defense timely performance reports. To enable the DoD USD(C)/CFO, to prepare and submit timely performance reports, the DoD USD(C)/CFO has authority to:

- A. Mandate DoD-wide data and reporting format requirements.
- B. Review and approve financial reports and statements prepared by DoD components for transmittal to the Secretary of Defense, OMB, the President, the Congress or external groups.
- C. Prepare consolidated and/or combined financial statements and work with the Inspector General, DoD and other auditors to improve the statements' independent review and auditability.
- D. Develop, in coordination with program managers, financial and programmatic performance indicators for inclusion in financial systems and financial reports and statements.
- E. Ensure that data included in financial reporting (including program performance measures) is auditable.

F. Advise program managers on financial management matters when requested.

010208. Biennial Review

Review, on a biennial basis, the fees, royalties, rents and other charges imposed by the Department for services and things of value it provides, and make recommendations on revising those charges to reflect costs incurred in providing those services and things of value.

0104 CHIEF FINANCIAL OFFICERS COUNCIL

The DoD CFO is a member of the Chief Financial Officers Council (CFOC) consisting of the Deputy Director for Management of OMB, the Controller of the Office of Federal Financial Management of OMB, the Fiscal Assistant Secretary of the Treasury and agency CFOs. The CFOC meets periodically to advise and coordinate the activities of its agency members on such matters as consolidation and modernization of financial systems, improved quality of financial information, financial data and information standards, internal controls, legislation affecting financial operations and organizations, and other financial management matters.

0105 DEPUTY CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE

The CFO Act requires that each of the specified agencies shall have a Deputy CFO who shall report directly to the Agency CFO on financial management matters. The position of Deputy CFO shall be a career-reserved position in the Senior Executive Service. Consistent with qualification standards developed by, and in consultation with, the Agency CFO and the Director of OMB, each Agency head shall appoint as Deputy CFO an individual with demonstrated ability and experience in accounting, budget execution, financial and management analysis, systems development, and not less than 6 years practical experience in financial management at large governmental entities.

0106 DOD STAFF ORGANIZATIONS RESPONSIBLE FOR IMPLEMENTING CFO FUNCTIONAL REQUIREMENTS

010601. Deputy Comptroller (Program/Budget)

The Deputy Comptroller (Program/Budget) is responsible for overseeing and implementing budgetary functions within the DoD on a day-to-day basis.

A. The Directorate for Program and Financial Control is responsible for budget review tracking, the submission of the automated defense budget for the President's budget, maintenance of the budget data bases, apportionment of funds, reprogramming and transfer of funds, obligation and outlay forecasting and tracking, budget concepts and scorekeeping, and information system support.

B. The Directorate for Investment is responsible for advising the Deputy Comptroller (Program/Budget) on all matters pertaining to: Procurement; Research, Development, Test, and Evaluation; the National Foreign Intelligence Program; and for the Defense Acquisition Board program.

C. The Directorate for Military Personnel and Construction is responsible for advising the Deputy Comptroller (Program/Budget) on all matters pertaining to operating and maintaining the U.S. military force structure to include active, reserve, and retired military; Defense Health Program; military construction; family housing; homeowners assistance; North Atlantic Treaty Organization infrastructure; Base Realignment and Closure; and Real Property Maintenance.

D. The Directorate for Operations is responsible for advising the Deputy Comptroller (Program/Budget) on all matters pertaining to operating and maintaining the U.S. military force structure to include active and reserve military personnel and civilian personnel.

E. The Directorate for Revolving Funds is responsible for advising the Deputy Comptroller (Program/Budget) on all matters pertaining to Defense-wide Working Capital Funds, the Pentagon Reservation Maintenance Revolving Fund, the Building Maintenance Fund, the Conventional Ammunition Working Capital Fund, the National Defense Stockpile Transaction Fund, and the Military Services' Management and Trust Funds.

010602. Deputy Chief Financial Officer

The Deputy CFO is responsible for overseeing and implementing accounting policy, improvements in financial management, as well as other financial management functions for the DoD on a day-to-day basis.

A. The Directorate for Accounting and Finance Policy is responsible for developing, publishing, implementing, and interpreting DoD-wide accounting and finance policies; providing direct support to the DoD USD(C)/CFO and Deputy CFO on various interagency forums; advocates for the DoD USD(C)/CFO on various interagency organizations and representing the DoD USD(C)/CFO on various internal DoD councils, boards and committees pertaining to policy; and providing oversight of, and performing liaison functions with, the DoD Components with respect to financial management operations, systems, responses to audit reports, policy clarifications, and other matters related to financial management; and administering the 15-volume DoD Financial Management Regulation.

B. The Directorate for Financial Improvement and Audit Readiness (FIAR) is responsible for oversight, management, performing liaison functions and partnering with the DoD Components on the Financial Improvement and Audit Readiness Plan, which identifies financial process, system and statement deficiencies and provides detailed corrective actions to address those deficiencies; implementation of the Federal Manager's Financial Integrity Act program for the DoD, to include Management's Responsibility for Internal Control ([OMB Circular A-123, Appendix A](#)) for the Secretary of Defense; management of the Improving Financial Performance

Initiative of the President's Management Agenda; and advocates for the DoD USD(C)/CFO on various interagency forums and internal DoD councils, boards, and committees pertaining to audit readiness.

C. The Directorate for Financial Reporting and Analysis is responsible for financial reporting for the Department. These responsibilities include preparation of the Department's Annual Report (Performance and Accountability Report). In addition, the Directorate maintains oversight of other significant financial reporting requirements such as the Report on Reliability, the Statement of Accountability, and Management Representation Letters; advocates for the DoD USD(C)/CFO on interagency organizations and committees, various internal DoD councils, boards and committees pertaining to financial reporting; provides oversight of, and performs liaison functions with, the DoD Components with respect to financial management operations, systems, and other matters related to financial management; and develops and maintains Departmental financial performance metrics and associated automated tools, facilitates the development and operation of government-wide financial indicators.

* D. The Directorate for Business Integration leads the integration and coordination of business and financial systems and processes within the Office of the Under Secretary of Defense (Comptroller) and on a Defense-wide basis; works with Program/Budget through business integration initiatives to ensure that budget execution metrics properly reflect DoD spending, projections, and execution trends for informed decision making by the DoD USD(C)/CFO; provides representation and advice on business and financial management forums and other relevant boards and committees; represents the DoD USD(C)/CFO Title 10, U.S.C. role in the development of enterprise business and financial systems across DoD; leads the planning, control and implementation of DoD financial management transformation and modernization activities; leads the Defense-wide Financial Improvement and Audit Readiness efforts to ensure that the Department achieves an unqualified opinion on its financial statement as required by the CFO Act; and manages the Defense-wide Statement of Assurance process by monitoring and reporting the status of auditor and manager identified material weaknesses and corrective action plans.

010603 Director, Defense Finance and Accounting Service (DFAS)

The Director of the Defense Finance and Accounting Service (DFAS) is the principal DoD executive for finance and accounting requirements, systems, and functions under the authority and direction of the USD(C). In accordance with DoDD 5118.03 and DoDD 5118.5, "Defense Finance and Accounting Service," the Director, DFAS shall:

A. Direct finance and accounting requirements, systems, and functions for all appropriated, nonappropriated, working capital, revolving, and trust fund activities, including security assistance.

B. Establish and enforce requirements, principles, standards, systems, procedures, and practices necessary to comply with finance and accounting statutory and regulatory requirements applicable to the Department of Defense.

C. Provide professional finance and accounting services for DoD Components and other Federal agencies.

D. Direct the consolidation, standardization, and integration of finance and accounting requirements, functions, procedures, operations, and systems and ensure their proper relationship with other DoD functional areas (e.g., budget, personnel, logistics, acquisition, civil engineering, etc.)

E. Execute statutory and regulatory financial reporting requirements and render financial statements.

F. Approve the establishment or maintenance of all finance and accounting activities independent of DFAS.

0107 RESPONSIBILITIES OF THE HEADS OF DOD COMPONENTS FOR IMPLEMENTING CFO FUNCTIONAL REQUIREMENTS

The Heads of the DoD Components shall direct and manage financial management activities within their respective Components, consistent with the policies, requirements, principles, standards, procedures, and practices prescribed by the DoD USD(C)/CFO and DFAS, and other policies as prescribed by the Heads of the other DoD Components.

*Figure 1-1: DOD CHIEF FINANCIAL OFFICER STRUCTURE

