

5. AUDITING THE FINANCIAL STATEMENTS

5.A INTRODUCTION

In order to help the Department of Defense achieve its goal of having all of its financial statements ready for audit by September 30, 2017, reporting entities must begin to shift their focus towards balance sheet line items. FIAR activities that were performed during Wave 2 for material assessable units may be leveraged in Wave 4, but reporting entities must also expand the scope of their efforts to cover proprietary transactions.

The successful completion of Wave 4 should include ensuring that internal controls over proprietary transactions are operating effectively and that relevant management assertions for all material financial statement line items are verified. As noted in the GAO/PCIE Financial Audit Manual (FAM), most of the auditor's work in forming an opinion on financial statements consists of obtaining and evaluating sufficient appropriate evidence concerning the assertions in the financial statements. In section 235, the FAM classifies financial statement assertions into the five categories listed in **Figure 5-1**.

Financial Statement Assertions	Outcomes Demonstrating Audit Readiness
Existence or Occurrence (E)	Recorded transactions and events occurred during the given period, are properly classified, and pertain to the entity. An entity's assets, liabilities, and net position exist at a given date.
Completeness (C)	All transactions and events that should have been recorded are recorded in the proper period. All assets, liabilities, and net position that should have been recorded have been recorded in the proper period and properly included in the financial statements.
Accuracy/Valuation or Allocation (V)	Amounts and other data relating to recorded transactions and events have been recorded appropriately. Assets, liabilities, and net position are included in the financial statements at appropriate amounts, and any resulting valuation or allocation adjustments are properly recorded. Financial and other information is disclosed fairly and at appropriate amounts.
Rights and Obligations (R)	The entity holds or controls the rights to assets, and liabilities are the obligations of the entity at a given date.
Presentation and Disclosure (P)	The financial and other information in the financial statements is appropriately presented and described and disclosures are clearly expressed. All disclosures that should have been included in the financial statements have been included. Disclosed events and transactions have occurred and pertain to the entity.

Figure 5-1. Financial Statement Assertions and Financial Reporting Objectives

For each financial statement line item, reporting entities must ensure that audit evidence is readily available to support all applicable assertions. By reviewing the corresponding Outcomes Demonstrating Audit Readiness in the table, reporting entities can determine whether or not applicable assertions have been satisfied for a particular line item. The Presentation and Disclosure assertion for all line items is covered by the Financial Reporting assessable unit, thus is not presented in the individual line item tables.

Suggested test procedures have been provided to assist reporting entities in validating that assertions can be supported. Reporting entities may tailor the procedures to address the intricacies of their operating environment. By performing these test procedures in advance of a financial statement audit, reporting entities can identify gaps in controls and documentation that require the implementation of corrective actions prior to audit.

Financial reporting risks have been identified for each financial statement line item. Assertions impacted by each risk have been identified as well as outcomes demonstrating audit readiness, key supporting documents and Wave 4 requirements.

5.B TIE-POINT RECONCILIATIONS GUIDANCE

“Tie-points” are interdependent relationships between U.S. Standard General Ledger (USSGL) accounts. As indicated in the July 14, 2014 OUSD(C) memorandum regarding *Accurate and Reliable DoD Component-level Financial Management Trial Balances* from the DCFO, reporting entities must perform tie-point reconciliations on a recurring basis. These reconciliations are intended to validate the integrity of financial data and allow for the early detection and correction of potential reporting errors.

Tie-point relationships exist:

- within the budgetary series of accounts
- within the proprietary series of accounts
- between the budgetary and proprietary series of accounts

Examples of tie-points are provided in **Figure 5-2** below.

Tie-Point	Relationship
4201 Total Actual Resources, Collected (Post-Close, Prior Year) = 4201 Total Actual Resources, Collected (Beginning Balance, Current Year)	Budgetary to Budgetary
3100 Unexpended Appropriations (Post-Close, Prior Year) = 3100 Unexpended Appropriations (Beginning Balance, Current Year)	Proprietary to Proprietary
4901 Delivered Orders, Unpaid = 2110 Accounts Payable	Budgetary to Proprietary

Figure 5-2. Tie-Point Examples

Tie-point analyses should be conducted on trial balances that are produced by reporting entity accounting systems before they are input into the Defense Departmental Reporting System (DDRS).

Out-of-balance tie-point relationships may occur for a variety of reasons such as general ledger discrepancies carried forward from converted legacy data or the utilization of incorrect posting logic. In instances where a reporting entity encounters a tie-point relationship that does not balance, the root cause should be determined and corresponding corrective actions should be implemented in a timely manner. Corrective actions should be adequately documented to ensure the existence of a sufficient audit trail.

It is recommended that reporting entities develop and maintain tie-point metrics for each trial balance. The metrics will enable reporting entities to gain assurance over the accuracy and reliability of general ledger data and will provide for the proactive identification and resolution of financial reporting issues and anomalies.

5.C WAVE 2 – STATEMENT OF BUDGETARY RESOURCES

5.C.1 BALANCES BROUGHT FORWARD

Balances Brought Forward are amounts reported on the Statement of Budgetary Resources (SBR) that are comprised of prior-year appropriations netted against collection, disbursement, rescission, and transfer activity that has occurred since the initial appropriation. These beginning balances are reported in SBR line items referred to as “brought forward” items because the ending balance in one fiscal year becomes the opening balance for the next fiscal year. Those line items include amounts reported in general ledger and Treasury accounts that are not closed at fiscal year-end. **Figure 5-3** identifies the SBR line items that report balances carried forward and the primary associated budgetary general ledger accounts that do not close at fiscal year-end.¹

SBR Line Item	Typical General Ledger Accounts
1000, “Unobligated balance, brought forward, October 1”	4139, “Contract Authority Carried Forward”
	4201, “Total Actual Resources – Collected”
	4221, “Unfilled Customer Orders Without Advance”
	4222, “Unfilled Customer Orders With Advance”
	4251, “Reimbursements and Other Income Earned – Receivable
	4384, “Temporary Reduction/Cancellation Returned by Appropriation”
	Less: 4801, “Undelivered Orders – Obligations, Unpaid”
	Less: 4802, “Undelivered Orders – Obligations, Prepaid/Advanced”
	Less: 4901, “Delivered Orders – Obligations, Unpaid”
3000, “Unpaid obligations, brought forward, October 1”	4801, “Undelivered Orders – Obligations, Unpaid”
	4901, “Delivered Orders – Obligations, Unpaid”
3060, “Uncollected payments, Fed sources, brought forward, October 1”	4221, “Unfilled Customer Orders Without Advance”
	4225, “Expenditure Transfers from Trust Funds – Receivable”
	4251, “Reimbursements and Other Income Earned – Receivable”
	4287, “Other Federal Receivables”

Figure 5-3. SBR Line Items Reporting Balances Carried Forward to the Next Fiscal Year and Primary Associated Budgetary General Ledger Accounts

Wave 2 of the FIAR guidance has recently focused on current year budget execution, which will be reported in a schedule of budgetary activity. Accordingly, reporting entities have concentrated their audit readiness efforts on current year activity. However, because the amounts reported on these three SBR lines are cumulative amounts based on prior years’ activity, auditors will examine them differently from those line items containing current year activity. Specifically, auditors will attempt to determine whether the line item fairly presents the amounts contained in the underlying general ledger by testing transactions that occurred in the past, which comprise the balances of the line item. **Reporting entities must treat the SBR Balances Brought Forward line items as an assessable unit, and prepare and submit assertion packages in accordance with the FIAR methodology.**

Beginning balances will likely be the most difficult financial statement line items for reporting entities to support. Understanding there is a risk that historical documentation may not be readily available, reporting entities should make reasonable efforts to confirm historical documentation does not exist before pursuing an alternative approach. At a minimum, reporting entities must perform the following procedures when evaluating beginning balances:

¹ The table may not identify every general ledger account that comprises these SBR line items. However, all general ledger accounts that comprise the SBR line items should be included in audit readiness activities. Please refer to Treasury Financial Manual (TFM) Crosswalks for a complete listing.

1. Confirm internal controls and document retention policies/procedures/systems are in place and operating effectively on a go-forward basis.
2. Develop the ability to produce a universe of transactions/balances that supports beginning balances at a detailed level. The completeness of the universe of transactions is demonstrated through reconciliations (e.g., reconciliations between the accounting system and Treasury's records for FBWT beginning balances).
3. Perform discovery testing to confirm the availability of historical documentation through sampling of the universe of transactions.
4. If historical documentation is not available, develop a strategy for addressing beginning balance, and present strategy to the FIAR Directorate for concurrence.

A brief description of the SBR Balances Brought Forward line items is provided below.

Unobligated Balances (Line Item 1000) – This line item is comprised of amounts available for obligation during the current fiscal year brought forward from prior fiscal years. Prior year unobligated balances may be available to enter into new obligations during the current year, and for upward adjustments of obligations that were properly incurred against the account during the unexpired period.²

Unpaid Obligations (Line Item 3000) – This line item is comprised of the amount of obligations already incurred for which payment has not yet been made. For a fixed appropriation account, this balance can be carried forward and retains its fiscal year identity for five fiscal years after the period of availability ends. At the end of the fifth fiscal year, the account is closed and any remaining balance is canceled.

Uncollected Payments, Federal Sources (Line Item 3060) – This line item is comprised of amounts earned but not collected from other Federal Government sources. Specifically, this line item includes two types of amounts, (1) accounts receivable from other Federal Government accounts (amounts owed for fulfilled orders); and (2) unfilled customer orders from other Federal Government accounts not accompanied by an advance (unfulfilled orders).

Standards and Guidance

Additional sources of guidance pertaining to financial management, accounting and record retention policies for SBR Balances Brought Forward are contained in the following table.

Financial Management and Accounting Guidance	Record Retention Policies
- DoD FMR: Volume 3, Chapter 8; Volume 6B, Chapter 7 - Office of Management and Budget (OMB) Circular A-11, <i>Preparation, Submission, and Execution of the Budget</i> - U.S. Government Accountability Office (GAO) <i>Principles of Federal Appropriations Law</i> ("Red Book")	- National Archives and Records Administration (NARA) General Records Schedule 1.1 - DoD FMR: Volume 1, Chapter 9

Balance by Reporting Entity – Unobligated Balances

The following reporting entities comprise the balances brought forward in the Unobligated Balances line item (line item 1000) on the Statement of Budgetary Resources.

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ 42,912,596,530	28.5%

² According to Office of Management and Budget guidance, SBR balances include budgetary resources for accounts during the current period of availability and the five years that they are in an expired status. Unobligated balances of expired budget authority remain available for five years after the account expires to make legitimate adjustments, such as recording previously unrecorded obligations and making upward adjustments to previously recorded obligations. At the end of the fifth year, the expired account is closed and no longer reported on the SBR.

Reporting Entities	FY 2015 Balance	% of Total
Air Force GF	25,747,448,595	17.1%
Navy GF	32,260,381,199	21.4%
Marine Corp GF	2,985,237,022	2.0%
Navy WCF	2,977,317,332	2.0%
Air Force WCF	993,355,639	0.7%
Army WCF	2,783,612,763	1.8%
Marine Corp WCF	288,612,091	0.2%
USACE – Civil Works Program	10,987,389,892	7.3%
Subtotal - OMB Design. Audit	\$ 121,935,951,062	80.9%
DoD Designated Audit		
DHA - Contract Resource Mgmt	\$ 114,367,691	0.1%
DHA - Comptroller FOD	1,712,586,917	1.1%
DHA - USUHS	128,290,853	0.1%
DHA - SMA/Army	3,413,255,128	2.3%
DHA - SMA/Navy	328,186,879	0.2%
DHA - SMA/Air Force	505,323,739	0.3%
DHA - SMA/NCR	41,110,587	0.0%
DLA WCF	122,742,469	0.1%
DLA GF	522,922,502	0.3%
DLA Strategic Materials	201,689,082	0.1%
DoD Component Level Accounts	3,769,340,506	2.5%
U.S. Special Operations Command	1,849,936,375	1.2%
DISA WCF	339,106,055	0.2%
DISA GF	325,593,347	0.2%
TRANSCOM - Air Mobility Command	745,130,502	0.5%
TRANSCOM - Military SDDC	40,229,159	0.0%
TRANSCOM - Military Sealift Command	345,966,708	0.2%
TRANSCOM - Command Staff	28,345,353	0.0%
TRANSCOM - Defense Courier Division	10,883,628	0.0%
DeCA WCF	213,182,102	0.1%
DeCA GF	75,762,847	0.1%
DFAS WCF	17,337,486	0.0%
Defense Contract Audit Agency	24,240,258	0.0%
Subtotal - DoD Design. Audit	\$ 14,875,530,171	9.9%
DoD Designated Examination		
Washington Headquarters Services (WHS)	\$ 199,034,373	0.1%
WHS - Office of the SecDef	2,852,385,837	1.9%
WHS - Pnt Res Mtn Rev Fund & PFPA	22,395,617	0.0%
WHS - Building Maintenance Fund	49,136,373	0.0%
WHS - DoD Test Resource Mgmt Ctr	4,532,776	0.0%
WHS - Civilian Military Program	25,177,745	0.0%
WHS - U.S. Court of Appeals, A.F.	1,775,590	0.0%
WHS - Defense Legal Services Agency	31,797,627	0.0%
Missile Defense Agency	570,528,064	0.4%
Defense Security Cooperation Agency	2,823,368,491	1.9%
DoD Education Activity	942,316,019	0.6%
DARPA	582,795,191	0.4%
Other TI-97 Funds – Army	1,067,215,157	0.7%
Chemical Biological Defense Program	251,584,701	0.2%
Defense Contract Mgmt Agency	117,250,752	0.1%
Defense Threat Reduction Agency	294,562,678	0.2%
Joint Staff (includes NDU)	227,174,918	0.2%
Subtotal - DoD Design. Exam	\$ 10,063,031,909	6.7%
DoD Non-material Reporting Entities		
Other Reporting Entities	3,888,333,037	2.6%
Total	\$ 150,762,846,179	100.0%

Source: FY 2015 Reporting Entity DDCS-AFS Statements of Budgetary Resources

Line Item Audit Readiness Considerations – Unobligated Balances

The following table presents financial reporting risks, Outcomes Demonstrating Audit Readiness and KSDs specific to SBR Balances Brought Forward for Unobligated Balances (SBR line item 1000). 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 the SBR Balances Brought Forward for Unobligated Balances and to 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
Unobligated Balance, Brought Forward			
UB.1	Recorded Unobligated Balances, Brought Forward may not exist at a given date, do not pertain to the reporting entity, or may be improperly classified and summarized (Wave 2 – SBR, ROMM #1) (E)	Recorded Unobligated Balances, Brought Forward from prior periods represent events that actually occurred and are properly summarized and classified in the financial statements (Wave 2 – SBR, FRO #9)	Comparative financial statements SF 133 Appropriation Warrant Funding Authorization Document Trace the current year Unobligated Balance, Brought Forward to the prior year Unobligated Balance, End of Year and determine if amounts agree Determine whether amounts contained in prior year Total Unobligated Balance, End of Year have been canceled or rescinded Compare Unobligated Balance, Brought Forward to the final SF 133 from the prior year
UB.2	Valid Unobligated Balances, Brought Forward are not recorded or are improperly summarized (Wave 2 – SBR, ROMM #14) (C)	All valid Unobligated Balances, Brought Forward are recorded and are properly summarized (Wave 2 – SBR, FRO #10)	Appropriations Act Supporting documentation evidencing the beginning balances of FBWT Appropriation Warrant Funding Authorization Document Review the appropriations act or other laws to determine whether all available balances pursuant to the law were included in the statements
UB.3	Unobligated Balances, Brought Forward are recorded at incorrect amounts, or valued on an inappropriate basis, or measured improperly summarized (Wave 2 – SBR, ROMM #27) (V)	Unobligated Balances, Brought Forward are valued on an appropriate basis and are properly classified and described in the financial statements (Wave 2 – SBR, FRO #10)	Comparative financial statements SF 133 Appropriation Warrant Funding Authorization Document Account Reconciliations See Suggested Test Procedures for UB.1
UB.4	The reporting entity does not have rights to recorded Unobligated Balances, Brought Forward summarized (Wave 2 – SBR, ROMM #43) (R)	The reporting entity has rights to recorded Unobligated Balances, Brought Forward (Wave 2 – SBR, FRO #9)	Appropriation Warrant Funding Authorization Document Determine whether any Unobligated Balances, Brought Forward have expired, been canceled or rescinded

Financial Reporting Risks		Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Unobligated Balance, Brought Forward				
UB.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	

Balance by Reporting Entity – Unpaid Obligations

The following reporting entities comprise the balance brought forward in the Unpaid Obligations line item (line item 3000) on the Statement of Budgetary Resources.

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ 111,937,127,892	26.0%
Air Force GF	78,988,540,289	18.3%
Navy GF	101,021,507,728	23.4%
Marine Corp GF	9,644,423,172	2.2%
Navy WCF	12,305,935,185	2.9%
Air Force WCF	6,605,017,342	1.5%
Army WCF	7,143,398,060	1.7%
Marine Corp WCF	268,897,848	0.1%
Military Retirement Fund	4,540,647,484	1.1%
USACE – Civil Works Program	8,041,864,339	1.9%
Subtotal - OMB Design. Audit	\$ 340,497,359,340	79.0%
DoD Designated Audit		
DHA - Contract Resource Mgmt	\$ 1,376,397,615	0.3%
DHA – Comptroller FOD	1,215,895,456	0.3%
DHA - USUHS	381,946,043	0.1%
DHA - SMA/Army	6,628,488,998	1.5%
DHA - SMA/Navy	2,223,083,342	0.5%
DHA - SMA/Air Force	1,828,444,419	0.4%
DHA - SMA/NCR	672,870,431	0.2%
MERHCF	941,208,085	0.2%
DLA WCF	22,552,926,861	5.2%
DLA GF	909,812,056	0.2%
DLA Strategic Materials	27,564,926	0.0%
DoD Component Level Accounts	11,385,073,518	2.6%
U.S. Special Operations Command	6,372,938,178	1.5%
DISA WCF	3,422,382,069	0.8%
DISA GF	1,243,246,264	0.3%
TRANSCOM - Air Mobility Command	1,113,469,269	0.3%
TRANSCOM - Military SDDC	444,201,161	0.1%
TRANSCOM - Military Sealift Command	296,756,284	0.1%
TRANSCOM - Command Staff	78,692,143	0.0%
TRANSCOM - Defense Courier Division	2,446,276	0.0%
DeCA WCF	620,199,126	0.1%
DeCA GF	304,984,722	0.1%
DFAS WCF	213,594,237	0.0%
Defense Contract Audit Agency	81,154,689	0.0%
Subtotal - DoD Design. Audit	\$ 64,337,776,167	14.9%
DoD Designated Examination		
Washington Headquarters Services (WHS)	\$ 539,583,269	0.1%
WHS - Office of the SecDef	4,820,758,967	1.1%
WHS - Pnt Res Mtn Rev Fund & PFPA	352,038,496	0.1%
WHS - Building Maintenance Fund	120,140,384	0.0%

Reporting Entities	FY 2015 Balance	% of Total
WHS - DoD Test Resource Mgmt Ctr	217,436,957	0.1%
WHS - Civilian Military Program	133,914,140	0.0%
WHS - U.S. Court of Appeals, A.F.	3,373,926	0.0%
WHS - Defense Legal Services Agency	100,112,743	0.0%
Missile Defense Agency	5,395,948,766	1.3%
Defense Security Cooperation Agency	336,354,741	0.1%
DoD Education Activity	2,194,228,874	0.5%
DARPA	2,237,637,327	0.5%
Other TI-97 Funds - Army	2,168,380,278	0.5%
Chemical Biological Defense Program	1,185,469,230	0.3%
Defense Contract Mgmt Agency	217,642,147	0.1%
Defense Threat Reduction Agency	1,140,150,264	0.3%
Joint Staff (includes NDU)	449,400,271	0.1%
Subtotal - DoD Design. Exam	\$ 21,612,570,780	5.0%
DoD Non-material Reporting Entities		
Other Reporting Entities	4,543,680,142	1.1%
Total	\$ 430,991,386,429	100.0%

Source: FY 2015 Reporting Entity DDRS-AFS Statements of Budgetary Resources

Line Item Audit Readiness Considerations – Unpaid Obligations

The following table presents financial reporting risks, Outcomes Demonstrating Audit Readiness and KSDs specific to SBR Balances Brought Forward for Unpaid Obligations (SBR line item 3000). 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 the SBR Balances Brought Forward for Unpaid Obligations and to 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
Unpaid Obligations, Brought Forward			
UO.1 Recorded Unpaid Obligations, Brought Forward may not exist at a given date, do not pertain to the reporting entity, or may be improperly classified and summarized (Wave 2 – SBR, ROMM #7) (E)	Recorded Unpaid Obligations, Brought Forward from prior periods represent events that actually occurred and are properly summarized and classified in the financial statements (Wave 2 – SBR, FRO #53)	Comparative financial statements SF 133 Invoices Contracts MIPRs Supporting documentation evidencing the beginning balances of FBWT and Delivered Orders-Unpaid	Trace the current year Unpaid Obligations, Brought Forward to the prior year Unpaid Obligations, End of Year and determine if amounts agree Determine whether amounts contained in prior year Unpaid Obligations, End of Year were paid in the prior year or require an adjustment pertaining to a prior period Compare Unpaid Obligations, Brought Forward to the final SF 133 from the prior year

Financial Reporting Risks		Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Unpaid Obligations, Brought Forward				
UO.2	Valid Unpaid Obligations, Brought Forward are not recorded or are improperly summarized (Wave 2 – SBR, ROMM #22) (C)	All valid Unpaid Obligations, Brought Forward are recorded and are properly summarized (Wave 2 – SBR, FRO #48)	Unpaid invoices/billing documents Contracts MIPRs Supporting documentation evidencing the beginning balances of FBWT and Delivered Orders-Unpaid	Review all unpaid invoices and billing documents for goods or services received to determine whether all valid Unpaid Obligations, Brought Forward have been recorded and are properly summarized
UO.3	Unpaid Obligations, Brought Forward are recorded at incorrect amounts, or valued on an inappropriate basis, or measured improperly (Wave 2 – SBR, ROMM #35) (V)	Unpaid Obligations, Brought Forward are valued on an appropriate basis and are properly classified and described in the financial statements (Wave 2 – SBR, FRO #54)	Comparative financial statements SF 133 Invoices Contracts MIPRs Supporting documentation evidencing the beginning balances of FBWT and Delivered Orders-Unpaid Account Reconciliations	See Suggested Test Procedures for UO.1
UO.4	The reporting entity does not have an obligation for recorded Unpaid Obligations, Brought Forward (Wave 2 – SBR, ROMM #45) (R)	The reporting entity has an obligation for recorded Unpaid Obligations, Brought Forward (Wave 2 – SBR, FRO #53)	Invoices Contracts MIPRs	Determine whether any Unpaid Obligations, Brought Forward represent invalid obligations
UO.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	

Balance by Reporting Entity – Uncollected Payments, Federal Sources

The following reporting entities comprise the balance brought forward in the Uncollected Payments, Federal Sources line item (line item 3060) on the Statement of Budgetary Resources.

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ (26,393,857,938)	34.1%
Air Force GF	(2,348,722,765)	3.0%
Navy GF	(3,165,958,158)	4.1%
Marine Corp GF	(108,298,297)	0.1%
Navy WCF	(12,323,509,628)	15.9%
Air Force WCF	(4,148,694,015)	5.4%

Reporting Entities	FY 2015 Balance	% of Total
Army WCF	(7,016,481,133)	9.1%
Marine Corp WCF	(430,916,109)	0.6%
USACE – Civil Works Program	(1,802,964,062)	2.3%
Subtotal - OMB Design. Audit	\$ (57,739,402,104)	74.6%
DoD Designated Audit		
DHA - Contract Resource Mgmt	\$ (69,025,528)	0.1%
DHA – Comptroller FOD	(19,295,529)	0.0%
DHA – USUHS	(135,616,045)	0.2%
DHA - SMA/Army	(499,589,235)	0.6%
DHA - SMA/Navy	(7,250,104)	0.0%
DHA - SMA/Air Force	(2,525,885)	0.0%
DHA - SMA/NCR	(19,432,281)	0.0%
DLA WCF	(9,373,994,242)	12.1%
DLA GF	(29,737,997)	0.0%
DoD Component Level Accounts	(1,806,005,656)	2.3%
U.S. Special Operations Command	(227,093,296)	0.3%
DISA WCF	(3,362,500,620)	4.3%
DISA GF	(127,649,536)	0.2%
TRANSCOM - Air Mobility Command	(1,368,987,887)	1.8%
TRANSCOM - Military SDDC	(450,210,439)	0.6%
TRANSCOM - Military Sealift Command	(402,516,573)	0.5%
TRANSCOM - Command Staff	(83,699,929)	0.1%
TRANSCOM - Defense Courier Division	(1,898,794)	0.0%
DeCA WCF	(1,868,705)	0.0%
DFAS WCF	(48,610,638)	0.1%
Defense Contract Audit Agency	(7,047,737)	0.0%
Subtotal - DoD Design. Audit	\$ (18,044,556,655)	23.3%
DoD Designated Examination		
Washington Headquarters Services (WHS)	\$ (265,828,694)	0.3%
WHS - Office of the SecDef	(73,638,487)	0.1%
WHS - Pnt Res Mtn Rev Fund & PFP	(96,652,345)	0.1%
WHS - Building Maintenance Fund	(132,753,941)	0.2%
WHS - DoD Test Resource Mgmt Ctr	(81)	0.0%
WHS - Civilian Military Program	(13,122)	0.0%
WHS - Defense Legal Services Agency	(2,854,877)	0.0%
Missile Defense Agency	(7,492,516)	0.0%
Defense Security Cooperation Agency	640,609	0.0%
DoD Education Activity	7,326,459	0.0%
DARPA	(350,964)	0.0%
Other TI-97 Funds – Army	(28,045,164)	0.0%
Chemical Biological Defense Program	(67,418,764)	0.1%
Defense Contract Mgmt Agency	(17,126,872)	0.0%
Defense Threat Reduction Agency	(19,199,715)	0.0%
Joint Staff (includes NDU)	(16,574,381)	0.0%
Subtotal - DoD Design. Exam	\$ (719,982,854)	0.9%
DoD Non-material Reporting Entities		
Other Reporting Entities	(893,738,193)	1.2%
Total	\$ (77,397,679,806)	100.0%

Source: FY 2015 Reporting Entity DDRS-AFS Statements of Budgetary Resources

Line Item Audit Readiness Considerations – Uncollected Payments, Federal Sources

The following table presents financial reporting risks, Outcomes Demonstrating Audit Readiness and KSDs specific to SBR Balances Brought Forward for Uncollected Payments, Federal Sources (SBR line item 3060). 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 the SBR Balances Brought Forward for Uncollected Payments, Federal Sources, and to 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
Uncollected Payments, Federal Sources, Brought Forward			
UP.1	Recorded Uncollected Payments, Federal Sources, Brought Forward may not exist at a given date, do not pertain to the reporting entity, or may be improperly classified and summarized (Wave 2 – SBR, ROMM #11) (E)	Recorded Uncollected Payments, Federal Sources, Brought Forward from prior periods represent events that actually occurred and are properly summarized and classified in the financial statements (Wave 2 – SBR, FRO #53)	Comparative financial statements SF 133 Open invoices Contracts MIPRs Supporting documentation evidencing the beginning balances of Accounts Receivable and Unfilled Customer Orders Trace the current year Uncollected Payments, Federal Sources, Brought Forward to the prior year Uncollected Payments, Federal Sources, End of Year and determine if amounts agree Determine whether amounts contained in prior year Uncollected Payments, Federal Sources, Brought Forward were collected in the prior year or require an adjustment pertaining to a prior period Compare Uncollected Payments, Federal Sources, Brought Forward to the final SF 133 from the prior year
UP.2	Valid Uncollected Payments, Federal Sources, Brought Forward are not recorded or are improperly summarized (Wave 2 – SBR, ROMM #24) (C)	All valid Uncollected Payments, Federal Sources, Brought Forward are recorded and are properly summarized (Wave 2 – SBR, FRO #48)	Open invoices Contracts MIPRs Supporting documentation evidencing the beginning balances of Accounts Receivable and Unfilled Customer Orders Review all open invoices and billing documents for goods or services provided to federal entities to determine whether all valid Uncollected Payments, Federal Sources, Brought Forward have been recorded and are properly summarized
UP.3	Uncollected Payments, Federal Sources, Brought Forward are recorded at incorrect amounts, or valued on an inappropriate basis, or measured improperly (Wave 2 – SBR, ROMM #36) (V)	Uncollected Payments, Federal Sources, Brought Forward are valued on an appropriate basis and are properly classified and described in the financial statements (Wave 2 – SBR, FRO #54)	Comparative financial statements SF 133 Open invoices Contracts MIPRs Supporting documentation evidencing the beginning balances of Accounts Receivable and Unfilled Customer Orders Account Reconciliations Accounts Receivable Aging Schedule See Suggested Test Procedures for UP.1

Financial Reporting Risks		Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Uncollected Payments, Federal Sources, Brought Forward				
UP.4	The reporting entity does not have rights to recorded Uncollected Payments, Federal Sources, Brought Forward (Wave 2 – SBR, ROMM #42) (R)	The reporting entity has rights to recorded Uncollected Payments, Federal Sources, Brought Forward (Wave 2 – SBR, FRO #53)	Invoices Contracts MIPRs Accounts Receivable Aging Schedule	Review the Uncollected Payments, Federal Sources, Brought Forward balance and confirm that the reporting entity still has valid rights to collect the amounts comprising the balance
UP.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 **Statement of Budgetary Resources** footnote disclosures included in **Note 20** of the FY 2014 DoD Agency Financial Report. OMB Circular A-136, *Financial Reporting Requirements*, specifies fundamental requirements for Statement of Budgetary Resources 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.

Consideration of Historical Transactions

Reporting entities need to consider the longevity of beginning balance transactions and how far back the reporting entity must go in order to provide transactional support. An initial analysis of beginning balance transactions is critical to making this determination. While appropriated funds generally have limited periods of availability, “no-year” and working capital funds must consider whether supporting documentation is readily available for all transactions. As reporting entities identify documentation gaps, they should coordinate with the FIAR office and the DoD OIG to develop an appropriate strategy for coverage of significantly aged transactions and balances.

5.D WAVE 4 – PROPRIETARY STATEMENTS

5.D.1 BALANCE SHEET

The Department of Defense (Department or DoD), with its many reporting entities preparing stand-alone financial statements, has a complex reporting structure. Its reporting entities vary significantly from a financial statement perspective (e.g., the Military Departments are few in number but material to the Department, versus the other Defense Agencies, which are large in number but less material than the Military Departments). Therefore, it is not effective or efficient to perform financial statement audits on all stand-alone financial statements. To address the complexity of the Department's reporting structure, OUSD(C) has developed a DoD-wide audit strategy, which re-aligns the reporting entities into the categories defined below. Following the category definitions, **Figures 5-4 and 5-5** present all financially material reporting entities, and identify specific areas of the reporting entity that are material to the Department's consolidated financial statements.

- **OMB Designated Entity Audits** – includes the Military Departments (WCF and GF), Military Retirement Fund, and the U.S. Army Corps of Engineers Civil Works Program (in accordance with the requirements of OMB Bulletin 15-02, as amended). These reporting entities must perform all audit readiness efforts in accordance with the Financial Improvement and Audit Readiness (FIAR) Methodology and will undergo annual financial statement audits on their stand-alone financial statements.
- **DoD Designated Audits** – includes DeCA, DFAS-WCF, DISA, DLA, Defense Health, U.S. TRANSCOM and U.S. SOCOM. These reporting entities must perform all audit readiness efforts in accordance with the FIAR Methodology, and will undergo annual stand-alone financial statement audits.
- **DoD Designated Examinations** – includes Washington Headquarters Service, MDA, Other TI-97 Funds - Army, DSCA, DoDEA, DARPA, CDBP, DTRA, DCMA and JCS. These reporting entities will undergo annual examinations or other independent validations of their financial statement balances.
- **Non-Material Entities** – includes other defense agencies, organizations and funds not material to the DoD consolidated financial statements. These entities must perform audit readiness efforts to improve their internal controls and they will be included in the DoD's consolidated financial statement audit. A complete list of these entities is included in Appendix F.

Reporting Entities	Intragovernmental				Non-Federal								
	FBwT	Investments	A/R	Other Assets	Cash & Other Monetary Assets	A/R	Loans Receivable	Inventory & Related Property	Real Property	General Equipment	IUS	Investments	Other Assets
OMB Designated Audit													
Army GF	✓		✓	✓	✓	✓		✓	✓	✓	✓		✓
Air Force GF	✓		✓	✓	✓	✓		✓	✓	✓	✓		✓
Navy GF	✓		✓	✓	✓	✓		✓	✓	✓			✓
Marine Corp GF	✓		✓		✓	✓		✓	✓	✓			
Navy WCF	✓		✓		✓	✓		✓	✓	✓	✓		✓
Air Force WCF	✓		✓	✓				✓	✓	✓	✓		✓
Army WCF	✓		✓		✓	✓		✓	✓	✓	✓		✓
Marine Corp WCF						✓		✓					
Military Retirement Fund		✓				✓							
USACE - Civil Works Program	✓	✓	✓			✓			✓	✓	✓		
✓ = Material to DoD Consolidated FY 2015 Balance Sheet													

Reporting Entities	Intragovernmental				Non-Federal								
	FBwT	Investments	AIR	Other Assets	Cash & Other Monetary Assets	AIR	Loans Receivable	Inventory & Related Property	Real Property	General Equipment	IUS	Investments	Other Assets
DoD Designated Audit													
DLA WCF	✓		✓	✓		✓		✓	✓		✓		
DLA GF	✓		✓						✓		✓		
DLA Strategic Materials								✓					
DHA - Contract Resource Mgmt	✓		✓			✓							
DHA - SMA/Army	✓		✓			✓			✓				
DHA - SMA/Navy	✓					✓			✓				
DHA - SMA/Air Force	✓		✓			✓							
DHA - Comptroller FOD	✓										✓		
DHA - SMA/NCR	✓		✓										
DoD Component Level Accounts	✓			✓	✓	✓			✓		✓		
MERHCF		✓				✓							
U.S. Special Operations Command	✓								✓	✓			✓
DISA WCF			✓							✓	✓		
DISA GF	✓		✓								✓		
TRANSCOM - Air Mobility Command			✓			✓			✓		✓		
TRANSCOM - Military SDDC			✓								✓		
TRANSCOM - Military Sealift Command			✓										
TRANSCOM - Command Staff											✓		
DeCA WCF					✓	✓		✓					
DeCA GF					✓				✓		✓		
DFAS WCF			✓			✓					✓		
DoD Designated Examination													
WHS - Office of the SecDef	✓								✓				
WHS - Washington Headquarters Services	✓		✓										
WHS - Pnt Res Mtn Rev Fund and PFPA			✓						✓				
WHS - Building Maintenance Fund			✓										
Missile Defense Agency	✓							✓	✓	✓			✓
Defense Security Cooperation Agency	✓												
DoD Education Activity	✓								✓				
Other TI-97 Funds - Army	✓		✓		✓				✓			✓	
DARPA	✓												
Chemical Biological Defense Program	✓		✓										
Defense Threat Reduction Agency	✓												
Defense Contract Mgmt Agency			✓										
Joint Staff (includes NDU)	✓		✓								✓		
DoD Non-material Reporting Entities													
Burden Sharing/Foreign Allies, Defense	✓												
Other TI-97 Funds - Air Force	✓											✓	
Defense Acquisition University	✓												
Defense Technical Information Center			✓										
Defense Human Resources Activity	✓		✓								✓		
Support/US Relo to Guam Acts., Defense	✓												
Other TI-97 Funds - Navy	✓											✓	
Office of Economic Adjustment	✓												
Defense Security Service											✓		
Military Housing Privatization Initiative			✓				✓						
DoD Education Benefits Fund		✓											
Component Level Adjustments	✓												

✓ = Material to DoD Consolidated FY 2015 Balance Sheet

Figure 5-4. Reporting Entities Material to Each Balance Sheet Line Item (Assets)

Note: A policy change regarding the reporting of real property within the Department was issued on September 30, 2015, which may significantly impact materiality for certain reporting entities reflected in the table.

Reporting Entities	Intragovernmental				Non-Federal			
	A/P	Other Liabilities	Military Retirement and Other Benefits	Loan Guarantee Liability	A/P	Debt	EL	Other Liabilities
OMB Designated Audit								
Army GF	✓	✓			✓		✓	✓
Air Force GF	✓	✓			✓		✓	✓
Navy GF	✓	✓			✓		✓	✓
Marine Corp GF	✓	✓			✓		✓	✓
Navy WCF	✓	✓			✓			✓
Air Force WCF	✓	✓			✓			✓
Army WCF	✓	✓			✓			✓
Marine Corp WCF	✓				✓			
Military Retirement Fund			✓					
USACE - Civil Works Program	✓	✓			✓		✓	✓
DoD Designated Audit								
DLA WCF	✓	✓			✓		✓	✓
DLA GF	✓				✓		✓	
DHA - Contract Resource Mgmt	✓		✓		✓			
DHA - SMA/Army	✓	✓	✓		✓			✓
DHA - SMA/Navy	✓	✓	✓		✓			✓
DHA - SMA/Air Force	✓	✓	✓					
DHA - Comptroller FOD	✓	✓						✓
DHA - SMA/NCR					✓			
DoD Component Level Accounts	✓				✓			✓
MERHCF	✓		✓		✓			
U.S. Special Operations Command	✓				✓			✓
DISA WCF	✓				✓			✓
DISA GF	✓				✓			✓
TRANSCOM - Air Mobility Command	✓	✓			✓			
TRANSCOM - Military SDDC					✓			
TRANSCOM - Military Sealift Command					✓			
TRANSCOM - Command Staff	✓							
TRANSCOM - Component Level	✓							
DeCA WCF	✓	✓			✓			✓
DeCA GF	✓							
DFAS WCF	✓	✓			✓			✓
Defense Contract Audit Agency								✓
DoD Designated Examination								
WHS - Office of the SecDef					✓			✓
WHS - Washington Headquarters Services	✓							✓
WHS - Pnt Res Mtn Rev Fund and PFPA					✓			✓
WHS - DoD Test Resource Mgmt Ctr					✓			
Missile Defense Agency					✓			✓
DoD Education Activity	✓	✓						✓
Other TI-97 Funds - Army	✓				✓			✓
DARPA					✓			
Chemical Biological Defense Program					✓			
Defense Threat Reduction Agency					✓			
Defense Contract Mgmt Agency		✓			✓			✓
DoD Non-material Reporting Entities								
Other TI-97 Funds - Air Force					✓			
Defense Acquisition University					✓			
Defense Technical Information Center					✓			
Defense Human Resources Activity	✓							
Defense Security Service	✓				✓			
Military Housing Privatization Initiative		✓		✓		✓		

✓ = Material to DoD Consolidated FY 2015 Balance Sheet

Figure 5-5. Reporting Entities Material to Each Balance Sheet Line Item (Liabilities)

5.D.1.1 FUND BALANCE WITH TREASURY

Fund Balance with Treasury is an asset account that reflects the available budget spending authority of a reporting entity. Collections and disbursements will, correspondingly, increase or decrease the balance in the account. For Fund Balance with Treasury, a reporting entity must be able to:

1. Reconcile its Fund Balance with Treasury account.
2. Assert the audit readiness of all disbursements and collections impacting the account balance.
3. Consistently fulfill its monthly reporting requirements to the Bureau of the Fiscal Service.

Standards and Guidance

Additional sources of guidance pertaining to financial management, accounting and record retention policies for Fund Balance with Treasury are contained in the following table.

Financial Management and Accounting Guidance	Record Retention Policies
- SFFAS No. 1 (and amendments) - Treasury Financial Manual (TFM) - DoD FMR: Volume 4, Chapter 2 - DCFO Memorandum: <i>Accurate and Reliable DoD Component-level Financial Management Trial Balances</i>	- National Archives and Records Administration (NARA) General Records Schedule 1.1 - DoD FMR: Volume 1, Chapter 9

Balance By Reporting Entity

The following reporting entities comprise the Fund Balance with Treasury line item.

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ 113,051,239,622	24.2%
Air Force GF	105,151,531,912	22.5%
Navy GF	129,882,021,877	27.8%
Marine Corp GF	10,612,797,156	2.3%
Navy WCF	754,932,486	0.2%
Air Force WCF	1,417,240,383	0.3%
Army WCF	1,810,385,495	0.4%
Marine Corp WCF	124,636,245	0.0%
Military Retirement Fund	30,818,135	0.0%
USACE - Civil Works Program	15,649,768,964	3.3%
Subtotal - OMB Design. Audit	\$ 378,485,372,274	81.0%
DoD Designated Audit		
DHA - Contract Resource Mgmt	\$ 1,234,201,092	0.3%
DHA - Comptroller FOD	2,566,391,556	0.5%
DHA - USUHS	441,799,722	0.1%
DHA - SMA/Army	9,696,013,684	2.1%
DHA - SMA/Navy	2,671,744,220	0.6%
DHA - SMA/Air Force	2,381,776,366	0.5%
DHA - SMA/NCR	576,635,175	0.1%
MERHCF	100,088,837	0.0%
DLA WCF	3,296,583,109	0.7%
DLA GF	1,469,174,460	0.3%
DLA Strategic Materials	260,117,894	0.1%
DoD Component Level Accounts	14,070,416,537	3.0%
U.S. Special Operations Command	8,481,828,379	1.8%
DISA GF	1,340,073,147	0.3%
TRANSCOM - Air Mobility Command	361,043,240	0.1%
TRANSCOM - Military SDDC	194,017,416	0.0%
TRANSCOM - Military Sealift Command	361,733,349	0.1%
TRANSCOM - Command Staff	84,486,998	0.0%
TRANSCOM - Defense Courier Division	10,480,487	0.0%
DeCA WCF	413,504,068	0.1%

DeCA GF	425,903,857	0.1%
Defense Contract Audit Agency	85,449,575	0.0%
Subtotal - DoD Design. Audit	\$ 50,523,463,166	10.8%
DoD Designated Exam		
Washington Headquarters Services (WHS)	\$ 531,345,665	0.1%
WHS - Office of the SecDef	7,102,145,878	1.5%
WHS - Pnt Res Mtn Rev Fund & PFPA	261,549,387	0.1%
WHS - Building Maintenance Fund	62,535,895	0.0%
WHS - DoD Test Resource Mgmt Ctr	234,086,626	0.1%
WHS - Civilian Military Program	171,390,865	0.0%
WHS - U.S. Court of Appeals, A.F.	3,653,895	0.0%
WHS - Defense Legal Services Agency	136,559,635	0.0%
Missile Defense Agency	5,941,044,883	1.3%
Defense Security Cooperation Agency	2,679,552,567	0.6%
DoD Education Activity	3,526,843,071	0.8%
DARPA	2,943,302,749	0.6%
Other TI-97 Funds - Army	2,988,963,773	0.6%
Chemical Biological Defense Program	1,250,720,525	0.3%
Defense Contract Mgmt Agency	355,337,171	0.1%
Defense Threat Reduction Agency	1,288,621,791	0.3%
Joint Staff (includes NDU)	539,016,984	0.1%
Subtotal - DoD Design. Exam	\$ 30,016,671,360	6.4%
DoD Non-material Reporting Entities		
Other Reporting Entities	8,349,006,072	1.8%
Total	\$ 467,374,512,872	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 Fund Balance with Treasury. 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 Fund Balance with Treasury, 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
Fund Balance with Treasury			
FB.1	All Treasury accounts may not be reconciled timely (E) (Wave 2 – Fund Balance with Treasury, ROMM #2)	All Treasury accounts related to the Component are reconciled monthly within required timeline (Wave 2, FRO #72, #73, #74, and #75)	Documentation evidencing the operation of internal control activities for the period under audit. Examples include: - A supervisory review is performed monthly to verify monthly Treasury reconciliations were performed timely and signed/dated by the completer, supervisor evidences review by signing and dating reconciliation. - All reconciling items are aged monthly to ensure all differences are resolved within 60 days.
			Obtain a listing of all open Treasury Accounts (Active and Expired). Select a sample of current year monthly reconciliations between the SF 1329, SF 1219/1220 (appropriation level only; not available at TI-97 limit level), DCAS and the disbursing systems and determine whether: - The reconciliation is performed timely (i.e., month end) and accurately - The reconciliation consisted of comparing USSGL account 1010 (for no-year, revolving, deposit, and trust fund accounts as

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Fund Balance with Treasury			
		Supervisor randomly selects items cleared from the aging and reviews supporting documentation (and entry recorded in system) to verify reconciling items were appropriately resolved. Monthly FBWT Reconciliations General ledger and subsidiary ledgers identifying individual FBWT transactions within each Treasury account Supporting documentation for individual transaction differences and adjustments between the agency and Treasury's records, including supporting documentation for cash disbursements, cash collections and adjustments as described in the preceding sections Check Issue Discrepancy (FMS 5206) SF 1219/1220 (appropriation level only; not available at TI-97 limit level) FMS 6652	well as clearing and receipt accounts) and any related subaccounts with the Government Wide Account (GWA) statement - The specific differences identified and reported on the FMS 6652 were researched (review of invoices, IPAC billings, deposit tickets, general ledger reports, etc.) and resolved through appropriate and accurate adjusting entries to the general ledger (SF 1219/1220 at appropriation level only; not available at TI-97 limit level), which are reviewed/approved by authorized personnel - Documentation exists to support any adjustments made to the FBWT account (SF 1219/1220 at appropriation level only; not available at TI-97 limit level) - The reconciliation is signed and dated by the preparer, reviewed by authorized personnel who then signs and dates the reconciliation as evidence of approval Select a sample of recorded disbursements and collections (unless covered by other assessable units such as Contract Pay, Vendor Pay, Requisitioning, RWO-Grantor, Military Pay, Civilian Pay and RWO-Acceptor) and determine whether: - The recorded collections and disbursements are valid transactions that are supported by sufficient, accurate and relevant documentation - The transactions were recorded timely and accurately
FB.2	Reconciling items may not be resolved accurately or be valid (E) (Wave 2 – Fund Balance with Treasury, ROMM #1, #3 and #6)	Reconciling and budget clearing account items are appropriately resolved (adjustment recorded in General Ledger or reported to Treasury (SF 1219/1220 at appropriation level only;	See Suggested Test Procedures for FB.1

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Fund Balance with Treasury			
	not available at TI-97 level), at the correct amount (Treasury account and budget fiscal year) and valid (authorized/approved transactions supported by documentation that demonstrates how the individual transaction should have been recorded/reported) (Wave 2, FRO #75 and #76)	verify monthly Treasury reconciliations were performed timely and signed/dated by the completer, supervisor evidences review by signing and dating reconciliation. All reconciling items are aged monthly to ensure all differences are resolved within 60 days. Supervisor randomly selects items cleared from the aging and reviews supporting documentation (and entry recorded in system) to verify reconciling items were appropriately resolved. Monthly FBWT Reconciliations General ledger and subsidiary ledgers identifying individual FBWT transactions within each Treasury account Supporting documentation for individual transaction differences and adjustments between the agency and Treasury's records, including supporting documentation for cash disbursements, cash collections and adjustments as described in the preceding sections Check Issue Discrepancy (FMS 5206) SF 1219/1220 (appropriation level only; not available at TI-97 limit level) FMS 6652	
FB.3	All disbursements and collections may not be reported timely (C) (Wave 2 – Fund Balance with Treasury, ROMM #4 and #5)	All disbursements and collections are reported to Treasury in the correct period and within Treasury deadline (Wave 2, FRO #73, #74, and #78) Monthly FBWT Reconciliations General ledger and subsidiary ledgers identifying individual FBWT transactions within each Treasury account Supporting documentation	See Suggested Test Procedures for FB.1

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Fund Balance with Treasury			
		for individual transaction differences and adjustments between the agency and Treasury's records, including supporting documentation for cash disbursements, cash collections and adjustments as described in the preceding sections Check Issue Discrepancy (FMS 5206) SF 1219/1220 (appropriation level only; not available at TI-97 limit level) FMS 6652	
FB.4	All reconciling items may not be identified timely (C) (Wave 2 – Fund Balance with Treasury, ROMM #4 and #5)	All reconciling differences and budget clearing account items are identified at the transaction level (specific disbursement or collection causing the difference) (Wave 2, FRO #75 and #76) Documentation evidencing the operation of internal control activities for the period under audit. Examples include: • A supervisory review is performed monthly to verify monthly Treasury reconciliations were performed timely and signed/dated by the completer, supervisor evidences review by signing and dating reconciliation. • All reconciling items are aged monthly to ensure all differences are resolved within 60 days. Supervisor randomly selects items cleared from the aging and reviews supporting documentation (and entry recorded in system) to verify reconciling items were appropriately resolved. Monthly FBWT Reconciliations General ledger and subsidiary ledgers identifying individual FBWT transactions within each Treasury account Supporting documentation for individual transaction differences and adjustments between the agency and	See Suggested Test Procedures for FB.1

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Fund Balance with Treasury			
		Treasury's records, including supporting documentation for cash disbursements, cash collections and adjustments as described in the preceding sections Check Issue Discrepancy (FMS 5206) SF 1219/1220 (appropriation level only; not available at TI-97 limit level) FMS 6652	
FB.5	Reconciliations, including general ledger and disbursing system data, may not be accurate (V) (Wave 2 – Fund Balance with Treasury, ROMM #6)	All Treasury reconciliations, including general ledger and disbursing system data, are accurate (using correct Treasury accounts, dollar amounts/accounting periods from GWA, General Ledger, and Disbursing) (Wave 2, FRO #75, #76, #78, and #79) Documentation evidencing the operation of internal control activities for the period under audit. Examples include: - A supervisory review is performed monthly to verify monthly Treasury reconciliations were performed timely and signed/dated by the completer, supervisor evidences review by signing and dating reconciliation. - All reconciling items are aged monthly to ensure all differences are resolved within 60 days. Supervisor randomly selects items cleared from the aging and reviews supporting documentation (and entry recorded in system) to verify reconciling items were appropriately resolved. Monthly FBWT Reconciliations General ledger and subsidiary ledgers identifying individual FBWT transactions within each Treasury account Supporting documentation for individual transaction differences and adjustments between the agency and Treasury's records, including supporting documentation for cash	See Suggested Test Procedures for FB.1

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Fund Balance with Treasury			
		disbursements, cash collections and adjustments as described in the preceding sections Check Issue Discrepancy (FMS 5206) SF 1219/1220 (appropriation level only; not available at TI-97 limit level) FMS 6652	
FB.6	Other budgetary activity (e.g., rescissions) may not be recorded timely and accurately and may be invalid (E, C, V) (Wave 2 - SBR, ROMM #1, #2, #3, #4, #5, #6, #14, #15, #16, #17, #18, #19, #27, #28, #29, #32, #33, and #34)	All other budgetary activity affecting Fund Balance with Treasury is valid and reported accurately in the correct period (Wave 2, FRO #9, #10, #11, #12, #13, #14, #17, #18, #19, #20, #21, #45, #46, #47, #50, #51, #64, #65, #66, #67, #68, #69) Monthly FBWT Reconciliations General ledger and subsidiary ledgers identifying individual FBWT transactions within each Treasury account Supporting documentation for individual transaction differences and adjustments between the agency and Treasury's records, including supporting documentation for cash disbursements, cash collections and adjustments as described in the preceding sections Check Issue Discrepancy (FMS 5206) SF 1219/1220 (appropriation level only; not available at TI-97 limit level) FMS 6652	See Suggested Test Procedures for FB.1
FB.7	Disbursements and collections may not be reported accurately, may not be valid, or may be improperly classified and summarized (E, C, V, R) (Wave 2 - SBR, ROMM #13, #26, and #42; Wave 2 – Fund Balance with Treasury, ROMM #1, #6, #10, and #11)	Disbursements and collections are accurately (correct amount, Treasury account, budget fiscal year) reported to Treasury and are valid (authorized/approved transactions supported by documentation, e.g., invoice and receiving report) (Wave 2, FRO #73, #74, #77, #78, #79, #82, and #83) Monthly FBWT Reconciliations General ledger and subsidiary ledgers identifying individual FBWT transactions within each Treasury account Supporting documentation for individual transaction differences and adjustments between the agency and Treasury's records, including supporting documentation for cash disbursements, cash collections and adjustments	See Suggested Test Procedures for FB.1

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Fund Balance with Treasury			
		as described in the preceding sections Check Issue Discrepancy (FMS 5206) SF 1219/1220 (appropriation level only; not available at TI-97 limit level) FMS 6652	
FB.8	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
FB.9	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 FBWT 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 FBWT should include: 4221 + 4251 + 4450 + 4510 + 46X0 + 4700 + 4720 + 48X1 + 49X1 = 1010

Footnote Disclosures

Reporting entities are responsible for ensuring the completeness and accuracy of data provided to OUSD(C) for the preparation of the **Fund Balance with Treasury** footnote disclosures included in **Note 3** of the FY 2014 DoD Agency Financial Report. OMB Circular A-136, *Financial Reporting Requirements*, specifies fundamental requirements for Fund Balance with Treasury 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.

Consideration of Historical Transactions

Beginning balances will likely be the most difficult financial statement line items for reporting entities to support. Understanding there is a risk that historical documentation may not be readily available, reporting entities should make reasonable efforts to confirm historical documentation does not exist before pursuing an alternative approach. At a minimum, reporting entities must perform the following procedures when evaluating beginning balances:

1. Confirm internal controls and document retention policies/procedures/systems are in place and operating effectively on a go-forward basis prior to focusing on beginning balances.
2. Develop the ability to produce a universe of transactions/balances that supports beginning balances at a detailed level. The completeness of the universe of transactions is demonstrated through

reconciliations (e.g., reconciliations between the accounting system and Treasury's records for FBWT beginning balances).

3. Perform discovery testing to confirm the availability of historical documentation through sampling of the universe of transactions.
4. If historical documentation is not available, develop a strategy for addressing beginning balance, and present strategy to the FIAR Directorate for concurrence.

5.D.1.2 INVESTMENTS

Investments represent the value of securities and other assets held for the production of revenues in the form of interest, dividends, rental payments or lease payments, net of premiums and discounts. Reporting entities must be able to assert the audit readiness of all business processes and sub-processes including investment purchases, accrued interest, discounts or premiums, interest received, amortization of discounts or premiums, year-end adjustments, sales and gains or losses on sales.

Intragovernmental vs. Non-Federal

Reporting entities are required to reconcile Intragovernmental transactions and balances with other federal entities throughout the course of the fiscal year. The suggested test procedures for IN.1 – IN.2 and IN.4 – IN.6 can be leveraged to test both Intragovernmental and Non-Federal Investments. The suggested test procedures provided in IN.3 are for Intragovernmental Investments only. Specific considerations that apply to the presentation and disclosure assertion for Intragovernmental transactions, including Intragovernmental Investments, 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 Investments are contained in the following table.

Financial Management and Accounting Guidance	Record Retention Policies
- SFFAS No. 1 (and amendments) - DoD FMR: Volume 4, Chapter 7 - 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 - Investments line item.

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ 2,176,986	0.0%
Air Force GF	954,359	0.0%
Navy GF	6,543,350	0.0%
Military Retirement Fund	600,462,119,337	71.1%
USACE – Civil Works Program	8,818,856,600	1.0%
Subtotal - OMB Design. Audit	\$ 609,290,650,633	72.1%
DoD Designated Audit		
MERHCF	\$ 233,397,547,279	27.6%
Subtotal - DoD Design. Audit	\$ 233,397,547,279	27.6%
DoD Non-material Reporting Entities		
Other Reporting Entities	1,976,745,319	0.2%
Total	\$ 844,664,943,230	100.0%

Source: FY 2015 Reporting Entity DDRS-AFS Balance Sheets

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

Reporting Entities	FY 2015 Balance	% of Total
DoD Designated Exam		
Other TI-97 Funds - Army	\$ 1,965,671,500	58.3%
Subtotal - DoD Design. Exam	\$ 1,965,671,500	58.3%
DoD Non-material Reporting Entities		
Other Reporting Entities	1,406,225,630	41.7%
Total	\$ 3,371,897,130	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 Investments. 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 Investments, 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
Investments			
IN.1	Recorded Investments may not exist at a given date, do not pertain to the reporting entity, or may be improperly classified and summarized (E) (Wave 4, ROMM #7, #19, #20, #21, and #22)	Recorded Investments represent actual investments by the reporting entity, and are properly classified (Wave 4, FRO #5)	Bureau of Public Debt account statement or investment report Investment subsidiary ledger with detailed investment activity including all purchases, interest income, discount/amortization, redemptions, etc. Review the year-end investment balance and related investment activity and examine documentation to determine whether investment account balances and related activity (purchases, interest earned, amortization/discount, redemptions, etc.) agree to balances and information per the Bureau of Public Debt (BPD) Account Statements and the financial statements of the reporting entity. Perform inquiries of appropriate personnel and examine documentation to determine whether investment activity (purchases and redemptions) was properly authorized by appropriate personnel.
IN.2	Valid Investments may be omitted from the balance sheet or may be improperly classified and summarized (C) (Wave 4, ROMM #30, #42, #43, and #44)	All Investments are recorded in the proper accounting period and are accurately classified and summarized (Wave 4, FRO #6 and #77)	Bureau of Public Debt account statement or investment report Investment subsidiary ledger with detailed investment activity including all purchases, interest income, discount/amortization, redemptions, etc. See Suggested Test Procedures for IN.1

Financial Reporting Risks		Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Investments				
IN.3	Investments may not be properly classified as either Intragovernmental or Non-Federal (E, C)	Recorded Investments are properly classified as either Intragovernmental or Non-Federal (Wave 4, FRO #78)	Bureau of Public Debt account statement or investment report	Select a sample of Investments from account statements and investment reports and verify that the Investments are properly classified as either Intragovernmental or Non-Federal.
IN.4	Investments included in the financial statements may be recorded at incorrect amounts, or are valued on an inappropriate basis (V) (Wave 4, ROMM #51, #64, #65, and #66)	Investments are recorded at correct amounts and valued on an appropriate valuation basis (Wave 4, FRO #6)	Bureau of Public Debt account statement or investment report Investment subsidiary ledger with detailed investment activity including all purchases, interest income, discount/amortization, redemptions, etc.	Review the year-end investment balance and related investment activity and examine documentation to determine whether investment account balances and related activity (purchases, interest earned, amortization/discount, redemptions, etc.) agree to balances and information per the BPD Account Statements, the subsidiary ledger, and the financial statements of the reporting entity.
IN.5	The reporting entity may not have rights to recorded Investments due to liens, pledges, or other restrictions (R) (Wave 4, ROMM #71)	The reporting entity has the rights to recorded Investments at a given date (Wave 4, FRO #7)	Bureau of Public Debt account statement or investment report Investment subsidiary ledger with detailed investment activity including all purchases, interest income, discount/amortization, redemptions, etc.	Select a sample of Investments from account statements and investment reports and verify that the reporting entity has rights to the recorded Investments.
IN.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	

Footnote Disclosures

Reporting entities are responsible for ensuring the completeness and accuracy of data provided to OUSD(C) for the preparation of the **Investments** footnote disclosures included in **Note 4** of the FY 2014 DoD Agency Financial Report. OMB Circular A-136, *Financial Reporting Requirements*, specifies fundamental requirements for Investment 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.1.3 ACCOUNTS RECEIVABLE

Receivable represent a claim to cash or other assets against other entities, either based on legal provisions, such as a payment due date, or goods or services provided. Reporting entities must be able to assert the audit readiness of all business processes and sub-processes including receiving orders,

providing goods or services, billing, aging, collecting accounts receivable, and writing off accounts receivable.

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 AR.1 – AR.2 and AR.4 – AR.7 can be leveraged to test both Intragovernmental and Non-Federal Accounts Receivable. The suggested test procedures provided in AR.3 are for Intragovernmental Accounts Receivable only. Specific considerations that apply to the presentation and disclosure assertion for Intragovernmental transactions, including Intragovernmental Accounts Receivable, 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 Receivable are contained in the following table.

Financial Management and Accounting Guidance	Record Retention Policies
- SFFAS No. 1, 7 (and amendments) - DoD FMR: Volume 4, Chapter 3 - 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 Receivable line item.

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ 228,610,263	3.1%
Air Force GF	514,348,931	6.9%
Navy GF	188,569,040	2.5%
Marine Corp GF	31,422,239	0.4%
Navy WCF	843,319,845	11.3%
Air Force WCF	781,677,911	10.5%
Army WCF	302,108,167	4.0%
Marine Corp WCF	5,512,005	0.1%
USACE – Civil Works Program	600,262,748	8.0%
Subtotal - OMB Design. Audit	\$ 3,495,831,149	46.8%
DoD Designated Audit		
DHA - Contract Resource Mgmt	\$ 49,603,205	0.7%
DHA – Comptroller FOD	1,303,025	0.0%
DHA - USUHS	3,070,287	0.0%
DHA - SMA/Army	431,482,660	5.8%
DHA - SMA/Navy	795,815	0.0%
DHA - SMA/Air Force	7,429,340	0.1%
DHA - SMA/NCR	10,329,852	0.1%
DLA WCF	1,345,684,558	18.0%
DLA GF	10,154,825	0.1%
DoD Component Level Accounts	(45,668,616)	-0.6%
U.S. Special Operations Command	2,438,482	0.0%
DISA WCF	682,137,710	9.1%
DISA GF	19,664,595	0.3%
TRANSCOM - Air Mobility Command	667,359,205	8.9%
TRANSCOM - Military SDDC	156,270,963	2.1%
TRANSCOM - Military Sealift Command	30,649,037	0.4%
TRANSCOM - Command Staff	3,129,089	0.0%
TRANSCOM - Defense Courier Division	1,261,561	0.0%
TRANSCOM - Component Level	(32,798,890)	-0.4%
DeCA WCF	38,733	0.0%
DFAS WCF	8,680,813	0.1%
Defense Contract Audit Agency	5,902,796	0.1%
Subtotal - DoD Design. Audit	\$ 3,358,919,047	44.9%

Reporting Entities	FY 2015 Balance	% of Total
DoD Designated Examination		
Washington Headquarters Services (WHS)	\$ 44,906,981	0.6%
WHS - Office of the SecDef	(2,682,427)	0.0%
WHS - Pnt Res Mtn Rev Fund & PFPA	256,595,564	3.4%
WHS - Building Maintenance Fund	54,258,016	0.7%
WHS - DoD Test Resource Mgmt Ctr	2,583	0.0%
WHS - Civilian Military Program	22,945	0.0%
WHS - Defense Legal Services Agency	503,976	0.0%
Missile Defense Agency	1,447,994	0.0%
Defense Security Cooperation Agency	1,203,583	0.0%
DoD Education Activity	5,013,364	0.1%
DARPA	(1,219,679)	0.0%
Other TI-97 Funds – Army	20,044,533	0.3%
Chemical Biological Defense Program	53,242,151	0.7%
Defense Contract Mgmt Agency	16,547,780	0.2%
Defense Threat Reduction Agency	716,732	0.0%
Joint Staff (includes NDU)	18,780,431	0.3%
Subtotal - DoD Design. Exam	\$ 469,384,527	6.3%
DoD Non-material Reporting Entities		
Other Reporting Entities	152,173,562	2.0%
Total	\$ 7,476,308,285	100.0%

Source: FY 2015 Reporting Entity DDCS-AFS Balance Sheets

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

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ 467,944,499	7.6%
Air Force GF	326,703,359	5.3%
Navy GF	543,335,001	8.8%
Marine Corp GF	28,428,238	0.5%
Navy WCF	93,866,527	1.5%
Air Force WCF	1,724,939	0.0%
Army WCF	55,343,330	0.9%
Marine Corp WCF	6,420,218	0.1%
Military Retirement Fund	91,708,107	1.5%
USACE – Civil Works Program	2,155,665,472	34.8%
Subtotal - OMB Design. Audit	\$ 3,771,139,689	60.9%
DoD Designated Audit		
DHA - Contract Resource Mgmt	419,711,303	6.8%
DHA – Comptroller FOD	63,748	0.0%
DHA - USUHS	50,166	0.0%
DHA - SMA/Army	139,433,363	2.3%
DHA - SMA/Navy	10,109,602	0.2%
DHA - SMA/Air Force	65,973,157	1.1%
DHA - SMA/NCR	383,794	0.0%
MERHCF	277,382,771	4.5%
DLA WCF	1,307,664,637	21.1%
DLA GF	10,717	0.0%
DLA Strategic Materials	300,420	0.0%
DoD Component Level Accounts	7,501,859	0.1%
U.S. Special Operations Command	846,656	0.0%
DISA WCF	661,705	0.0%
DISA GF	472,975	0.0%
TRANSCOM - Air Mobility Command	127,257,553	2.1%
TRANSCOM - Military SDDC	2,697,401	0.0%
TRANSCOM - Command Staff	59,526	0.0%
TRANSCOM - Defense Courier Division	457,093	0.0%
DeCA WCF	35,334,742	0.6%
DeCA GF	113,524	0.0%
DFAS WCF	13,729,833	0.2%

Reporting Entities	FY 2015 Balance	% of Total
Defense Contract Audit Agency	152,779	0.0%
Subtotal - DoD Design. Audit	\$ 2,410,369,325	38.9%
DoD Designated Examination		
Washington Headquarters Services (WHS)	\$ 71,228	0.0%
WHS - Office of the SecDef	261,330	0.0%
WHS - Pnt Res Mtn Rev Fund & PFPA	846,921	0.0%
WHS - Building Maintenance Fund	18,510	0.0%
WHS - DoD Test Resource Mgmt Ctr	80	0.0%
WHS - Civilian Military Program	4,934	0.0%
WHS - Defense Legal Services Agency	5,873	0.0%
Missile Defense Agency	142,251	0.0%
Defense Security Cooperation Agency	34,075	0.0%
DoD Education Activity	4,895,599	0.1%
DARPA	49,850	0.0%
Other TI-97 Funds - Army	466,786	0.0%
Chemical Biological Defense Program	20,585	0.0%
Defense Contract Mgmt Agency	825,105	0.0%
Defense Threat Reduction Agency	67,644	0.0%
Joint Staff (includes NDU)	87,549	0.0%
Subtotal - DoD Design. Exam	\$ 7,798,319	0.1%
DoD Non-material Reporting Entities		
Other Reporting Entities	1,551,736	0.0%
Total	\$ 6,190,859,070	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 Receivable. 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 Receivable, 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 Receivable			
AR.1	Recorded Accounts Receivable may not pertain to the reporting entity, may not be representative of amounts earned by and owed to the reporting entity, or may be improperly classified and summarized (E) (Wave 4, ROMM #10, #11, #19, #20, #21, and #22)	Recorded Accounts Receivable represent transactions and events that actually occurred, are appropriately classified and pertain to the reporting entity (Wave 4, FRO #43 and #44)	Deposit tickets (SF-215s), IPAC/GOALs reports supporting cash collection dollar amounts Invoices, collection histories, other supporting documentation supporting an accounts receivable Copy of Treasury Report on Receivables and documentation supporting preparation and contents of the report Test a sample of revenue transactions and examine supporting documentation to determine whether an Accounts Receivable has been recorded timely and accurately for all revenue transactions where payment has not been received. Select a sample of IPAC, cash, or equivalent collections and examine documentation to determine whether Accounts Receivable is reduced/liquidated accurately and recorded in the proper accounting period.

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Accounts Receivable			
			Select a sample of Accounts Receivable that were outstanding at year end and review documentation that supports the reporting entity's claim to each receivable (e.g., contract, shipping document, subsequent cash receipt, etc.) Verify that Accounts Receivable subledgers reconcile to general ledger (G/L) accounts and G/L accounts agree to the financial statements of the reporting entity
AR.2	Recorded Accounts Receivables may not include all amounts earned by and owed to the reporting entity, or may not be summarized accurately in the financial statements (C) (Wave 4, ROMM #33, #34, #42, #43 and #44)	Recorded Accounts Receivable include all amounts earned by and owed to the reporting entity and are accurately classified and summarized (Wave 4, FRO #46) IPAC/GOALS reports supporting cash collection dollar amounts Accounts Receivable general ledger account reconciliation and associated supporting documentation	Select a sample of post period IPAC or equivalent collections (subsequent to year-end) and determine whether an Accounts Receivable was recorded as of year-end (for goods/services rendered prior to year-end). See also Suggested Test Procedures for AR.1
AR.3	Accounts Receivable may not be properly classified as either Intragovernmental or Non-Federal (E, C)	Recorded Accounts Receivable are properly classified as either Intragovernmental or Non-Federal (Wave 4, FRO #78) Deposit tickets (SF-215s), IPAC/GOALS reports supporting cash collection dollar amounts Copy of Treasury Report on Receivables and documentation supporting preparation and contents of the report	Select a sample of Accounts Receivable from the accounting system and verify that the Accounts Receivable are properly classified as either Intragovernmental or Non-Federal, and the trading partner code is correct (for Intragovernmental transactions).
AR.4	All valid recorded Accounts Receivable transactions may be recorded at incorrect amounts (V) (Wave 4, ROMM #54, #55, #64, #65, and #66)	Recorded Accounts Receivable transactions are recorded at correct amounts (Wave 4, FRO #46 and #47) Deposit tickets (SF-215s), IPAC/GOALS reports supporting cash collection dollar amounts Invoices, collection histories, other supporting documentation supporting an accounts receivable Copy of Treasury Report on Receivables and documentation supporting preparation and contents of the report Schedule of calculation of allowance for uncollectible	Test a sample of revenue transactions and examine supporting documentation to determine whether revenue (and associated Accounts Receivable) is recorded timely (after services have been rendered or goods provided) and at correct amounts. Review the reporting entity's methodology for calculating and recording an allowance for doubtful accounts and verify that the factors used (i.e., historical collection percentage, debtor's ability to

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Accounts Receivable			
		accounts (Non-Federal only) and documentation supporting the methodology and assumptions used	pay, aging analysis) to compute the allowance are valid. Select a sample of outstanding Non-Federal Accounts Receivable (180 days old or greater) and determine whether debts have been referred to Treasury timely and accurately in accordance with the Debt Collection Improvement Act. See also Suggested Test Procedures for AR.1
AR.5	The reporting entity may not have rights to recorded Accounts Receivable (R) (Wave 4, ROMM #71)	The reporting entity has the rights to the recorded Accounts Receivable (Wave 4, FRO #48)	Public law demonstrating authority to collect non-exchange revenue Contracts and invoices supporting any direct or indirect costs that have been included in the calculation of customer rates Test a sample of revenue transactions and examine supporting documentation to determine whether the reporting entity has earned revenue (by providing goods or services) and has the right to report a corresponding Accounts Receivable in its financial records. See also Suggested Test Procedures for AR.1
AR.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
AR.7	Budgetary and proprietary interdependencies are not 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 Receivable 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 Receivable should include: 1310 + 1320 + 1340 + 1360 = 4251

Footnote Disclosures

Reporting entities are responsible for ensuring the completeness and accuracy of data provided to OUSD(C) for the preparation of the **Accounts Receivable** footnote disclosures included in **Note 5** of the

FY 2014 DoD Agency Financial Report. OMB Circular A-136, *Financial Reporting Requirements*, specifies fundamental requirements for Accounts Receivable 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.1.4 INVENTORY AND RELATED PROPERTY

Inventory and Related Property represents tangible personal property and includes such items as inventory for resale, fuels held for sale, spare and repair parts, clothing and textiles. Inventory available and purchased for resale includes consumable spare and repair parts and repairable items owned and managed by the Department. Related property includes Operating Materiel & Supplies (OM&S) and stockpile materiel. OM&S includes such items as spare and repair parts, ammunition, tactical missiles, aircraft configuration pods, and centrally managed aircraft engines held for consumption. Reporting entities must be able to assert the audit readiness of all business processes and sub-processes associated with the recording and classifying of inventory and related property, including the use of proper valuation and measurement methods.

Standards and Guidance

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

Financial Management and Accounting Guidance	Record Retention Policies
- SFFAS No. 1, 3, 48 (and amendments) - DoD FMR: Volume 4, Chapter 1 & 4, Volume 6B, Chapter 10 - DoDI 4140.01, <i>DoD Supply Chain Materiel Management Policy</i> - DCFO Policy Memoranda: <i>Inventory and Related Property Accounting Policy Requirements</i> issued 11/13/2015; <i>Alternative Valuation Methods for Establishing Opening Balances for Inventory, OM&S and Stockpile Materials</i> issued 08/28/2015; <i>Accounting Policy Update for the Expense Recognition of OM&S</i> issued 09/04/2015 - 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 Inventory and Related Property line item.

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ 31,333,625,915	12.0%
Air Force GF	54,997,936,913	21.0%
Navy GF	67,096,137,256	25.6%
Marine Corp GF	11,755,603,198	4.5%
Navy WCF	30,847,836,955	11.8%
Air Force WCF	23,437,813,677	9.0%
Army WCF	19,484,195,260	7.4%
Marine Corp WCF	1,084,919,329	0.4%
USACE – Civil Works Program	24,958,751	0.0%
Subtotal - OMB Design. Audit	\$ 240,063,027,254	91.7%
DoD Designated Audit		
DLA WCF	\$ 17,590,917,424	6.7%
DLA Strategic Materials	449,257,413	0.2%
DoD Component Level Accounts	6,022,227	0.0%
DeCA WCF	402,417,484	0.2%
Subtotal - DoD Design. Audit	\$ 19,547,970,768	7.5%
DoD Designated Examination		
Missile Defense Agency	\$ 3,207,152,995	1.2%

Reporting Entities	FY 2015 Balance	% of Total
Subtotal - DoD Design. Exam	\$ 3,207,152,995	1.2%
DoD Non-material Reporting Entities		
Other Reporting Entities	(1,652,799)	0.0%
Total	\$ 261,717,141,998	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 Inventory and Related Property. 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 Inventory and Related Property 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 Inventory and Related Property 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
Inventory and Related Property			
INV.1 WAVE 3 WAVE 4	Recorded inventory 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 OM&S 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 inventory exists at a given date, is supported by appropriate detailed records that are accurately summarized and reconciled to the source system and general ledger (Wave 3, FRO #2, #3, #4, #7, and #8) Recorded OM&S exists at a given date, is supported by appropriate detailed records that are accurately summarized and reconciled to the source system and general ledger (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 4140.01) (Tier 1 Asset Documentation). Obligating documents supporting asset acquisition and any related asset improvements, such as contracts/statements of work, work orders, reimbursable agreements, Physically observe Inventory and OM&S counts being performed and examine documentation to determine whether: - the physical inventory or OM&S 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 inventory counts and supporting adjusting entries to financial records by an authorized official - evidence exists to support the review and approval of OM&S counts and supporting adjusting entries to property records by an authorized official.

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Inventory and Related Property			
		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). 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: - 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	Select a sample of inventory items or OM&S from the total item property record and physically inspect assets to determine whether: - the selected inventory or OM&S physically exists. In cases where inventory or OM&S does not exist, determine whether the inventory has been appropriately sold, transferred, or disposed of, and sufficient documentation exists to support the sale, transfer, or disposal - selected inventory is properly classified in the total item property record and general ledger - selected OM&S is properly classified in an appropriate subledger and general ledger. Note: if applicable, this sample should include a sub-sample of inventory or OM&S in the possession of contractors. Verify that Inventory and Related Property subledgers reconcile to general ledger (G/L) accounts and G/L accounts agree to the financial statements of the reporting entity
INV.2 WAVE 3 WAVE 4	Inventory transactions (acquisitions, sales, issuance, disposals) may not be recorded in the total item property record or subledger and general ledger, 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) OM&S transactions may not be recorded, may not be recorded in the current period, or may be	All inventory transactions are recorded (physical inventory of inventory assets reconciles to source system) and properly classified (Vehicle Identification Number, Serial Number, Bureau Number, Unique Item Identifier within source system and general ledger) (Wave 3, FRO #1, #6, #9, and #10) All OM&S transactions are recorded (physical inventory of OM&S assets reconciles to source system records) and	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). Physically observe Inventory and OM&S counts being performed and examine documentation to determine whether: - the physical inventory or OM&S 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 inventory counts and supporting adjusting entries to financial records by an authorized official

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Inventory and Related Property			
improperly classified and summarized (C) (Wave 3, ROMM #7, #8, and #9; Wave 4, ROMM #40, #42, #43, and #44)	properly classified (Vehicle Identification Number, Serial Number, Bureau Number, Unique Item Identifier within the source system and general ledger) (Wave 3, FRO #1, #6, #9, and #10)	Asset logs (e.g., maintenance logs or usage logs) that are reconciled to the subledger, demonstrating the completeness of the subledger population (Tier 2 Asset Documentation). Mission-management/ logistics data (if different from the subledger) used by leadership to track, deploy or distribute assets, reconciled to the subledger demonstrating the completeness of the subledger 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). Summary schedule reporting the amounts/quantities by class of assets (Tier 1 Asset Documentation). DD Form 1150 – Request for Issue/Transfer/Turn-In	- evidence exists to support the review and approval of OM&S counts and supporting adjusting entries to property records by an authorized official. Select a sample of inventory or OM&S from the warehouse and determine whether: - inventory or OM&S is appropriately entered in the total item property record or other subledger and general ledger. In cases where inventory is not entered in the source system, review documentation and perform inquiries of appropriate personnel to determine whether a rational basis exists for the omission - inventory or OM&S is properly classified in the total item property record or other subledger and general ledger Note: If applicable, this sample should include a sub-sample of inventory or OM&S in the possession of contractors. Select a sample of related expenses and examine documentation to determine whether expenses contain transactions that should be capitalized as current year additions to inventory or OM&S.
INV.3 WAVE 4 Inventory transactions (acquisitions, sales, issuances, disposals) are recorded at incorrect amounts, or Inventory assets may be valued on an inappropriate basis (V) (Wave 4, ROMM #62, #64, #65, and #66) OM&S transactions (acquisitions,	Inventory transactions (all acquisitions, sales, disposals) are recorded at correct amounts, and Inventory is valued on an appropriate valuation basis, in accordance with U.S. GAAP and SFFAS #3 (Wave 4, FRO #16 and #17) OM&S transactions (all	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	Select a sample of inventory additions (i.e., purchases, transfers in, donations) and examine documentation (i.e., receiving reports, invoices, etc.) to determine whether: inventory was valued in accordance with U.S. GAAP, at historical cost or the latest acquisition cost

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Inventory and Related Property			
consumptions, disposals) are recorded at incorrect amounts, or OM&S assets are valued on an inappropriate basis (V) (Wave 4, ROMM #62, #64, #65, and #66)	acquisitions, disposals, maintenance) transactions are recorded at correct amounts, and OM&S assets are valued on an appropriate valuation basis (Wave 4, FRO #16 and #17)	demonstrate how a modification increases functionality and the estimated useful life of the asset (Tier 2 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: • 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).	• inventory was valued using consistent accounting principles from period to period • sufficient and accurate documentation exists to support the inventory value Select a sample of OM&S additions (i.e., purchases, transfers in, donations) and examine documentation to determine whether: • OM&S was valued using appropriate costing methodologies, in accordance with U.S. GAAP (purchase vs. consumption method) • OM&S was recorded at correct amounts • sufficient and accurate evidence exists to support the validity and value of the OM&S addition (invoices, etc.). Select a sample of inventory issuances (i.e., sales, transfers out, donations) and examine documentation to determine whether: • issuance was authorized and approved by an appropriate official • issuance was recorded timely and accurately Identify slow moving, obsolete, stale or damaged inventory and examine documentation to determine whether: • appropriate adjustments (write-downs or write-offs) were made to reduce inventory to its net realizable value • the adjustments were recorded timely and accurately • the write-downs or write-offs were authorized by an appropriate authorizing official • the adjusting entries were reviewed and approved by an authorized official

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Inventory and Related Property			
			prior to recording the entry in the source system - documentation exists to support the review and approval (i.e., signature and date of warehouse supervisor) Select a sample of OM&S disposals (i.e., unusable, obsolete, scrapped, or damaged) and examine documentation to determine whether: - The disposal was authorized and approved by appropriate official - The disposal was recorded timely and accurately. Verify that all impairments to OM&S are identified timely and all asset adjustments are recorded accurately and in the correct accounting period. Select a sample of related expenses and examine documentation to determine whether expenses contain transactions that should be capitalized as current year additions to inventory.
INV.4 WAVE 3 WAVE 4	Recorded inventory may not pertain to nor is rightfully owned by the reporting entity (R) (Wave 3, ROMM #13 and #14; Wave 4, ROMM #71) Recorded OM&S does 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 Inventory at a given date. (Wave 3, FRO #5) The reporting entity has rights to the recorded OM&S 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 subledger population to demonstrate completeness Select a sample of inventory items or OM&S from the total item property record or other subledger and physically inspect assets to determine whether the reporting entity controls/owns the inventory or OM&S and has the rights to report the inventory or OM&S in the total item property record or other subledger and general ledger. Select a sample of inventory items or OM&S from the warehouse and determine whether documentation exists (i.e., DD-250) to evidence ownership/control and the right to report the inventory or OM&S in the

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Inventory and Related Property			
		(Tier 2 Asset Documentation). Documentation of observed physical indicators of ownership rights, including a combination of: • Documentation 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 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 any retirements, transfers, sales, or other disposal of idle, excess, obsolete, or otherwise unusable assets such as: • approval documentation (to include disposal of land) • documents supporting disposal start date • documents supporting determination of	financial records. Note: If applicable, this sample should include a sub-sample of inventory or OM&S in the possession of contractors.

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, Accountability and Management of DoD Equipment and Other Accountable Property	- 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

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
General Equipment			
			expenses and examine documentation to determine whether expenses contain transactions that should be capitalized as current year additions to 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	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%

Reporting Entities	FY 2015 Balance	% of Total
Navy GF	28,916,603,706	14.5%
Marine Corp GF	10,366,807,656	5.2%
Navy WCF	1,389,547,022	0.7%
Air Force WCF	585,346,026	0.3%
Army WCF	914,125,712	0.5%
Marine Corp WCF	47,878,837	0.0%
USACE – Civil Works Program	28,788,167,910	14.4%
Subtotal - OMB Design. Audit	\$ 175,274,502,551	88.0%
DoD Designated Audit		
DHA - USUHS	8,069,440	0.0%
DHA - SMA/Army	3,179,508,872	1.6%
DHA - SMA/Navy	1,322,758,862	0.7%
DHA - SMA/Air Force	1,556,883	0.0%
DLA WCF	2,486,663,849	1.2%
DLA GF	979,561,695	0.5%
DoD Component Level Accounts	2,383,975,347	1.2%
U.S. Special Operations Command	2,845,771,817	1.4%
DISA WCF	65,638,255	0.0%
DISA GF	83,084,109	0.0%
TRANSCOM - Air Mobility Command	289,068,512	0.1%
TRANSCOM - Military SDDC	20,114,773	0.0%
TRANSCOM - Command Staff	121,784,617	0.1%
TRANSCOM - Defense Courier Division	1,530,079	0.0%
DeCA WCF	35,722,752	0.0%
DeCA GF	713,790,192	0.4%
DFAS WCF	125,394,308	0.1%
Subtotal - DoD Design. Audit	\$ 14,663,994,363	7.4%
DoD Designated Examination		
Washington Headquarters Services (WHS)	\$ 124,132,923	0.1%
WHS - Office of the SecDef	3,123,707,083	1.6%
WHS - Pnt Res Mtn Rev Fund & PFPA	3,049,412,361	1.5%
Missile Defense Agency	1,643,218,572	0.8%
DoD Education Activity	414,639,821	0.2%
Other TI-97 Funds - Army	684,562,337	0.3%
Chemical Biological Defense Program	1,991,229	0.0%
Defense Threat Reduction Agency	82,077,181	0.0%
Subtotal - DoD Design. Exam	\$ 9,123,741,507	4.6%
DoD Non-material Reporting Entities		
Other Reporting Entities	216,630,162	0.1%
Total	\$ 199,278,868,583	100.0%

Source: FY 2015 Reporting Entity DDRS-AFS Footnote Data

As noted, the balances above were reported in the **FY 2015** reporting entity balance sheets and footnotes. **A policy memorandum regarding reporting of real property within the Department was issued on September 30, 2015 that may significantly impact the balances reflected in the table.**

Line Item Audit Readiness Considerations

The following table presents financial reporting risks, Outcomes Demonstrating Audit Readiness and KSDs specific to Real Property. 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 Real Property, 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 Real Property 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
Real Property			
RP.1 WAVE 3 WAVE 4	Recorded Real Property may not exist at 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 Real Property 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 4165.14, Enclosure 3) (Tier 1 Asset Documentation). Physically observe real property asset counts being performed and examine documentation to determine whether: - the real property 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 real property counts and supporting adjusting entries to property records by an authorized official.
		Obligating documents supporting asset acquisition and any related asset improvements, such as contracts/statements of work, work orders, reimbursable agreements, MIPRs, purchase orders, bills of lading, 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	Select a sample of real property assets from the APSR and physically inspect assets to determine whether: - the selected real property assets physically exist. In cases where assets do not exist, determine whether these assets have been appropriately transferred or disposed of, and sufficient documentation exists to support the transfer/disposal - selected real property is properly classified in the APSR and general ledger. Note: If applicable, this sample should include a sub-sample of real property in the custody of contractors.

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Real Property			
		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	Select a sample of real property disposals (i.e., transfers out, donations, demolition) and examine documentation to determine whether: - the disposal was authorized and approved by appropriate official - the disposal was recorded timely and accurately. Verify that Real Property subledgers reconcile to general ledger (G/L) accounts and G/L accounts agree to the financial statements of the reporting entity.
RP.2 WAVE 3 WAVE 4	Real Property 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 Real Property transactions are recorded (physical inventory of Real Property assets reconciles to APSR records) and properly classified (Real Property Unique Identifier (RPUID), Facility Number) within the Accountable Property System of Record and general ledger (Wave 3, FRO #1, #6, #9, and #10) 	

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Real Property			
		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	documentation and perform inquiries of appropriate personnel to determine whether a rational basis exists for the omission - real property is properly classified in the APSR and general ledger. Note: If applicable, this sample should include a sub-sample of real property in the custody of contractors. Select a sample of real property additions (i.e., constructions, transfers in, donations) and examine documentation to determine whether: - construction in progress (CIP) costs were recorded in correct accounts at the correct amounts - all CIP costs were accurately charged to the cost of the asset and CIP accounts were relieved after construction completion - sufficient, accurate, and relevant documentation exists to support all property acquisition costs - real property assets have been capitalized in accordance with the DoD capitalization threshold. Select a sample of real property disposals (i.e., transfers out, donations, demolition) and examine documentation to determine whether: - the disposal was authorized and approved by appropriate official - the disposal was recorded timely and accurately. Select a sample of related expenses and

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Real Property			
			examine documentation to determine whether expenses contain transactions that should be capitalized as current year additions to real property.
RP.3 WAVE 4	Real Property transactions (acquisitions, maintenance, disposals) may be recorded at incorrect amounts, or Real Property assets may be valued on an inappropriate basis (V) (Wave 4, ROMM #62, #64, #65, and #66)	Real Property transactions (all acquisitions, disposals, maintenance) are recorded at correct amounts, and Real Property 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 transfer of cost information from Construction in Progress (CIP) accounts to the fixed asset account (DD-1354, "Transfer and Acceptance of Real Property") (Tier 1 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 expense for a sample of assets, appropriately considering additions/betterments, etc. that may affect useful lives	Select a sample of real property additions (i.e., constructions, transfers in, donations) and examine documentation to determine whether: - all costs to bring real property 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 property that increased the useful life 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 - CIP costs were recorded in correct accounts at the correct amounts and CIP accounts were relieved after construction completion - all CIP costs were accurately charged to the cost of the asset - sufficient, accurate, and relevant documentation exists to support all property acquisition costs - real property assets have been capitalized in accordance with the DoD capitalization threshold. Select a sample of real property disposals (i.e.,

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Real Property			
		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).	transfers out, donations, demolition) and examine documentation to determine whether: - the 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 real property 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 expenses and examine documentation to determine whether expenses contain transactions that should be capitalized as current year additions to real property.
RP.4 WAVE 3 WAVE 4	Recorded Real Property assets may not pertain to nor are 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 Real Property 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 Select a sample of real property assets and determine whether documentation exists (i.e., DD-1354) to evidence ownership/control and the right to report the real property in its financial records. Note: If applicable, this

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Real Property			
		(e.g., DD-250, "Material Inspection and Receiving Report" or DD-1354, "Transfer and Acceptance of DoD Real Property") • Deeds/titles (for Land only) • Lease, Occupancy Agreement, Reversion Legal Document, Judgment Legal Document (for condemnation), Letter of Withdrawal (for withdrawal from Public Domain) (Tier 2 Asset Documentation). Tract maps, land plats, space management systems, utilities maps, or facility diagrams that are reconciled to the APSR, demonstrating the completeness of the APSR population (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). Documentation of observed physical indicators of ownership rights, including a combination of: • Documentation 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).	sample should include a sub-sample of real property in the custody of contractors.

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Real Property			
		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). 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
Real Property				
RP.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 **Real Property** 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 Real 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.1.5.3 Internal Use Software

Internal Use Software is included as General Property, Plant & Equipment on the Balance Sheet and represents the costs of software, whether commercial off-the-shelf (COTS), internally developed or contractor developed, that meet the DoD capitalization criteria.

Reporting entities must be able to assert the audit readiness of all business processes and sub-processes associated with the proper recording and classifying of Internal Use Software, including the proper recognition of full capitalization cost and valuation.

Standards and Guidance

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

Financial Management and Accounting Guidance	Record Retention Policies
- SFFAS No. 6, 10 (and amendments) - Technical Release 16 - DoD FMR: Volume 6B, Chapter 4, 10 - DCFO Policy Memorandum: <i>Strategy for Internal Use Software Audit Readiness</i> issued 09/30/2015 - 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 Internal Use Software line item.

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ 295,481,223	8.2%
Air Force GF	193,100,618	5.4%
Navy GF	1,701,224	0.0%
Navy WCF	48,240,096	1.3%
Air Force WCF	46,659,693	1.3%

Reporting Entities	FY 2015 Balance	% of Total
Army WCF	379,965,599	10.6%
USACE – Civil Works Program	26,680,246	0.7%
Subtotal - OMB Design. Audit	\$ 991,828,699	27.6%
DoD Designated Audit		
DHA – Comptroller FOD	\$ 31,875,563	0.9%
DLA WCF	361,115,548	10.0%
DLA GF	103,554,877	2.9%
DoD Component Level Accounts	1,566,803,845	43.6%
DISA WCF	20,465,951	0.6%
DISA GF	5,573,363	0.2%
TRANSCOM - Air Mobility Command	207,915,219	5.8%
TRANSCOM - Military SDDC	19,604,196	0.5%
TRANSCOM - Military Sealift Command	2,247,072	0.1%
TRANSCOM - Command Staff	131,905,050	3.7%
DeCA WCF	2,991,122	0.1%
DeCA GF	4,617,085	0.1%
DFAS WCF	69,201,900	1.9%
Subtotal - DoD Design. Audit	\$ 2,527,870,791	70.3%
DoD Designated Examination		
Washington Headquarters Services (WHS)	\$ 367,421	0.0%
WHS - Office of the SecDef	143,189	0.0%
Defense Contract Mgmt Agency	3,031,816	0.1%
Defense Threat Reduction Agency	1,872,236	0.1%
Joint Staff (includes NDU)	36,146,785	1.0%
Subtotal - DoD Design. Exam	\$ 41,561,447	1.2%
DoD Non-material Reporting Entities		
Other Reporting Entities	34,299,649	1.0%
Total	\$ 3,595,560,587	100.0%

Source: FY 2015 Reporting Entity DDFS-AFS Footnote Data

Line Item Audit Readiness Considerations

The following table presents financial reporting risks, Outcomes Demonstrating Audit Readiness and KSDs specific to Internal Use Software. 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 Internal Use Software 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 Internal Use Software 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
Internal Use Software			
IS.1 WAVE 3 WAVE 4	Recorded Internal Use Software 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 Internal Use Software 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)	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). 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). Verify that all impairments are properly recognized and are recorded accurately in the correct accounting period. Select a sample of purchases and additions to Internal Use Software and examine supporting documentation to verify that internally developed or contractor-developed software represents fully implemented and functioning software that has met the "Final Acceptance Testing" and is rightfully owned by the reporting entity. Verify that Internal Use Software subledgers reconcile to general ledger (G/L) accounts and G/L accounts agree to the financial statements of the reporting entity

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Internal Use Software			
IS.2 WAVE 3 WAVE 4	Internal Use Software 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 Internal Use Software transactions are recorded (all direct and indirect cost have been recognized and recorded) within the APSR and general ledger (Wave 3, FRO #1, #6, #9, and #10)) 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). 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).	Select a sample of Internal Use Software additions (i.e., purchased (COTS) or developed) and examine documentation to determine whether: - contractor-developed and internally developed software costs (software development stage) were recorded in the correct GL account (1832) at the correct amounts - sufficient, accurate and relevant documentation exists to support all Internal Use Software acquisition costs - Internal Use Software has been capitalized in accordance with the reporting entity's capitalization policy and FMR 7000.14, as revised. Verify that all impairments are properly recognized and are recorded accurately in the correct accounting period. Select a sample of Internal Use Software assets and determine whether: - Internal Use Software is appropriately entered in the APSR and general 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 - Internal Use Software is properly classified in the APSR and general ledger. Select a sample of purchases and additions to Internal Use Software and examine supporting documentation to verify that internally developed or contractor-developed software represents fully

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Internal Use Software			
			implemented and functioning software that has met the "Final Acceptance Testing" and is rightfully owned by the reporting entity.
IS.3 WAVE 4	Internal Use Software transactions (purchases (COTS), impairments, development costs) may be recorded at incorrect amounts, or Internal Use Software may be valued on an inappropriate basis (V) (Wave 4, ROMM #62, #64, #65, and #66)	Internal Use Software transactions (all purchases, impairments, and development costs) are recorded at correct amounts, and Internal Use Software is 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 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	Select a sample of Internal Use Software additions (i.e., purchased (COTS) or developed) and examine documentation to determine whether: - all costs to bring the software into service (i.e., contractor costs, installation, implementation cost, programming cost, direct and indirect costs, overhead costs) were recorded as part of Internal Use Software - program management costs were recognized and recorded as indirect costs and accurately expensed or capitalized - costs to make any enhancement or modification to existing Internal Use Software that significantly increases functionality and adds new capabilities were appropriately capitalized and added to the full cost of the software - preliminary design and post-implementation costs were appropriately and accurately expensed - amortization expense was recorded accurately and timely - contractor-developed and internally developed software costs (software development stage) were recorded in the correct GL account (1832) at the correct amounts - all data conversion costs incurred were accurately expensed and <u>not</u> capitalized - sufficient, accurate and relevant documentation exists to support all

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Internal Use Software			
		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). Documentation supporting the allocation methodology for direct labor costs and the distribution methodology for indirect labor costs and overhead costs for internally developed software (software development stage only) (Tier 1 Asset Documentation). Documentation supporting the purchase of commercial off-the-shelf (COTS) purchases, plus any costs incurred for implementation (Tier 1 Asset	Internal Use Software acquisition costs - Internal Use Software has been capitalized in accordance with the reporting entity's capitalization policy and FMR 7000.14, as revised. Verify that all impairments are properly recognized and measured and all asset adjustments are recorded accurately. Select a sample of Internal Use Software assets and verify the following: - the validity of useful life (consistent with that used for planning the software's acquisition) for the purpose of calculating amortization expense - the validity of the amortization method in conformity with U.S. GAAP - the accuracy of recorded current year accumulated amortization. Verify that all Internal Use Software transactions are recorded at the correct amounts, using appropriate valuation methods that are in accordance with GAAP and SFFAS #10. Also verify that the reporting entity has established a methodology for capitalizing and amortizing Internal Use Software (e.g., capturing full cost incurred during the software development stage), which is consistently applied from period to period.

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Internal Use Software			
		Documentation).	
		Documentation supporting the amounts paid to the contractor to design, program, install, and implement new software or to modify existing software, plus any costs incurred for implementation (Tier 1 Asset Documentation).	
IS.4 WAVE 3 WAVE 4	Recorded Internal Use Software 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 Internal Use Software 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). 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). 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).	Select a sample of Internal Use Software assets and determine whether documentation exists to evidence ownership/control and the right to report the Internal Use Software in its financial records. Select a sample of purchases and additions to Internal Use Software and examine supporting documentation to verify that internally developed or contractor-developed software represents fully implemented and functioning software that has met the "Final Acceptance Testing" and is rightfully owned by the reporting entity.

Financial Reporting Risks		Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Internal Use Software				
			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).	
IS.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 & Equipment, Net (General PP&E, 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 the General PP&E, 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.

Consideration of Historical Transactions

For all classes of G-PP&E, reporting entities need to consider whether documentation is available to support the valuation of historical assets. An initial analysis of G-PP&E acquisition dates and availability of supporting documentation is critical to making this determination. As reporting entities identify documentation gaps, they should coordinate with the FIAR office and the DoD OIG to develop an appropriate strategy calculating valuations of historical assets, including proper application of SFFAS No. 35, *Estimating the Historical Cost of General Property, Plant, and Equipment*.

5.D.1.6 OTHER ASSETS

Other Assets consist of military and civil service employee pay advances, travel advances, and certain contract financing payments. Reporting entities must be able to assert the audit readiness of all business processes and sub-processes involving Other Assets including the recording, monitoring and amortizing of such assets.

Intragovernmental vs. Non-Federal

Reporting entities are required to reconcile Intragovernmental transactions and balances with other federal entities throughout the course of the fiscal year. The suggested test procedures for OA.1 – OA.2 and OA.4 – OA.7 can be leveraged to test both Intragovernmental and Non-Federal Other Assets. The suggested test procedures provided in OA.3 are for Intragovernmental Other Assets only. Specific considerations that apply to the presentation and disclosure assertion for Intragovernmental transactions, including Intragovernmental Other Assets, 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 Other Assets are contained in the following table.

Financial Management and Accounting Guidance	Record Retention Policies
- SFFAS No. 1 (and amendments) - DoD FMR: Volume 4, Chapter 7 - 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 Other Assets line item.

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ 228,888,695	11.0%
Air Force GF	168,884,838	8.1%
Navy GF	444,465,954	21.3%
Navy WCF	46,297	0.0%
Air Force WCF	319,714,765	15.3%
Subtotal - OMB Design. Audit	\$ 1,162,000,548	55.7%
DoD Designated Audit		
DLA WCF	\$ 124,925,000	6.0%
DoD Component Level Accounts	797,458,565	38.2%
DISA GF	19,796	0.0%
DFAS WCF	773,354	0.0%
Subtotal - DoD Design. Audit	\$ 923,176,715	44.3%
DoD Designated Examination		
WHS - Office of the SecDef	\$ (451,492)	0.0%
Defense Security Cooperation Agency	152,431	0.0%
DoD Education Activity	39,936	0.0%
Subtotal - DoD Design. Exam	\$ (259,125)	0.0%
DoD Non-material Reporting Entities		
Other Reporting Entities	1,931	0.0%
Total	\$ 2,084,920,070	100.0%

Source: FY 2015 Reporting Entity DDRS-AFS Balance Sheets

The following reporting entities comprise the Non-Federal Other Assets line item.

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ 2,704,180,353	3.7%
Air Force GF	17,635,028,359	24.0%
Navy GF	48,673,936,876	66.1%
Marine Corp GF	50,097,367	0.1%
Navy WCF	2,543,488,848	3.5%
Air Force WCF	177,548,027	0.2%
Army WCF	97,125,902	0.1%
Marine Corp WCF	1,605,905	0.0%
USACE – Civil Works Program	90,544	0.0%
Subtotal - OMB Design. Audit	\$ 71,883,102,180	97.6%
DoD Designated Audit		
DHA – Comptroller FOD	\$ 177	0.0%
DHA - SMA/Army	32,434,668	0.0%
DHA - SMA/Navy	134,961	0.0%
DHA - SMA/Air Force	266,256	0.0%
DHA - SMA/NCR	1,712	0.0%
DLA WCF	44,125,171	0.1%
DLA GF	2,106,299	0.0%
DoD Component Level Accounts	(84,384,715)	-0.1%
U.S. Special Operations Command	257,654,848	0.3%
DISA WCF	18,971,830	0.0%
DISA GF	172,528	0.0%
TRANSCOM - Air Mobility Command	1,161,896	0.0%
TRANSCOM - Military SDDC	2,870,274	0.0%
TRANSCOM - Military Sealift Command	1,200	0.0%
TRANSCOM - Command Staff	83,668	0.0%
TRANSCOM - Defense Courier Division	(402)	0.0%
TRANSCOM - Component Level	1,902,313	0.0%
DeCA WCF	936,367	0.0%
DFAS WCF	3,706,896	0.0%
Defense Contract Audit Agency	2,525,146	0.0%
Subtotal - DoD Design. Audit	\$ 284,671,093	0.4%
DoD Designated Examination		
Washington Headquarters Services (WHS)	\$ 560	0.0%
WHS - Office of the SecDef	19,957,129	0.0%
WHS - Pnt Res Mtn Rev Fund & PFP	498	0.0%
WHS - DoD Test Resource Mgmt Ctr	9,362,757	0.0%
WHS - Civilian Military Program	6,907,586	0.0%
Missile Defense Agency	1,276,989,644	1.7%
Defense Security Cooperation Agency	1,854,065	0.0%
DoD Education Activity	12,393,919	0.0%
Other TI-97 Funds - Army	43,684,103	0.1%
Chemical Biological Defense Program	21,873,954	0.0%
Defense Contract Mgmt Agency	(68,798)	0.0%
Defense Threat Reduction Agency	218,395	0.0%
Joint Staff (includes NDU)	37,333	0.0%
Subtotal - DoD Design. Exam	\$ 1,393,211,145	1.9%
DoD Non-material Reporting Entities		
Other Reporting Entities	59,969,774	0.1%
Total	\$ 73,620,954,192	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 Other Assets. 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 Other Assets, 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
Other Assets			
OA.1	Recorded Other Assets may not exist at a given date, do not pertain to the reporting entity, or may be improperly classified and summarized (E) (Wave 4, ROMM #9, #19, #20, #21, and #22)	Recorded Other Assets represent amounts actually received by the reporting entity and are properly classified (Wave 4, FRO #9)	Contracts, contract modifications, invoices, billing statements, advance payment pool agreements Select a sample of recorded prepayments and determine whether source documentation indicates the obligation that corresponds to the prepayment is expected to be fulfilled in a future period. Select a sample of recorded advances and determine whether: • each advance has been approved by an appropriate official • sufficient documentation exists to verify the terms of the advance • the purpose for and collectability of each advance is reasonable. Select a sample of recorded contract financing payments and determine whether: • financing payments are being made in accordance with the terms of the contract • the obligation that corresponds to the contract financing payment is expected to be fulfilled in future periods. Select a sample of recorded Other Assets not covered by the preceding tests and determine whether: • Source documentation indicates that the transaction that gave rise to the Other Asset actually occurred and pertains to the reporting entity • Source documentation indicates the obligation that corresponds to the Other Asset is expected to be fulfilled in a future period. Verify that subledgers for Other Assets reconcile to general ledger (G/L) accounts and G/L accounts agree to the financial statements of the reporting entity

Financial Reporting Risks		Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Other Assets				
OA.2	Valid Other Assets may be omitted from the balance sheet or may be improperly classified and summarized (C) (Wave 4, ROMM #32, #42, #43 and #44)	All Other Assets are recorded in the proper accounting period and are accurately classified and summarized (Wave 4, FRO #10)	Contracts, contract modifications, invoices, billing statements, advance payment pool agreements	See Suggested Test Procedures for OA.1
OA.3	Other Assets may not be properly classified as either Intragovernmental or Non-Federal (E, C)	Recorded Other Assets are properly classified as either Intragovernmental or Non-Federal (Wave 4, FRO #78)	Contracts, contract modifications, invoices, billing statements, advance payment pool agreements	Select a sample of Other Assets from source documentation and verify that the Other Assets are properly classified as either Intragovernmental or Non-Federal.
OA.4	Other Assets included in the financial statements may be recorded at incorrect amounts, or are valued on an inappropriate basis (V) (Wave 4, ROMM #53, #64, #65, and #66)	Other Assets are recorded at correct amounts and valued on an appropriate valuation basis (Wave 4, FRO #10)	Contracts, contract modifications, invoices, billing statements, advance payment pool agreements	Select a sample of recorded prepayments and determine whether the amount of the prepayment per the general ledger agrees to source documentation (e.g., contract, invoice, etc.) and the corresponding disbursement. Select a sample of recorded advances and determine whether the advance amount per the general ledger agree to advance agreements and the actual amount disbursed. Select a sample of recorded contract financing payments and determine whether the amount of the payment per the general ledger agrees to source documentation (e.g., contract, invoice, billing statement, etc.) and the corresponding disbursement. Select a sample of recorded Other Assets not covered by the preceding tests and determine whether the amount of the Other Asset per the general ledger agrees to source documentation (e.g., contract, invoice, etc.) and corresponding disbursements.

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Other Assets			
OA.5	The reporting entity may not have rights to recorded Other Assets due to liens, pledges, or other restrictions (R) (Wave 4, ROMM #71)	The reporting entity has the rights to the recorded Other Assets at a given date (Wave 4, FRO #11)	Contracts, contract modifications, invoices, billing statements, advance payment pool agreements Select a sample of recorded prepayments and determine whether source documentation indicates that the reporting entity has valid ownership of the assets being obtained via the prepayments. Select a sample of recorded advances and determine whether source documentation indicates that the reporting entity has valid ownership of the assets being obtained via the advances. Select a sample of recorded contract financing payments and determine whether source documentation indicates that the reporting entity has valid ownership of the assets being obtained via the contract financing payment. Select a sample of recorded Other Assets not covered by the preceding tests and determine whether source documentation indicates that the reporting entity has valid ownership of the assets being obtained.
OA.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
OA.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 Other Assets 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 Other Assets should include: • $48X2 = 14XX$ (i.e., Budgetary Undelivered Orders Prepaid = Proprietary Advances to Vendors)

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.

5.D.1.8 MILITARY RETIREMENT AND OTHER FEDERAL EMPLOYMENT BENEFITS

Military Retirement and Other Federal Employment Benefits consists of Pension and Health Actuarial Benefits (Military Retirement Pensions, Military Retirement Health Benefits (MRHB), and Medicare-Eligible Retiree Health Care Fund (MERHCF) Benefits) and Other Benefits (Federal Employees Compensation Act (FECA), Voluntary Separation Incentive (VSI) Program, etc.).

Reporting entities must be able to assert the audit readiness of all business processes and sub-processes associated with Military Retirement and Other Federal Employment Benefits, including adequately supported long-term and annual actuarial assumptions and projections.

Standards and Guidance

Additional sources of guidance pertaining to financial management, accounting and record retention policies for Military Retirement and Other Federal Employment Benefits are contained in the following table.

Financial Management and Accounting Guidance	Record Retention Policies
- SFFAS No. 5 (and amendments) - DoD FMR: Volume 4, Chapter 11; Volume 6B, Chapter 4 - 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 Military Retirement and Other Federal Employment Benefits line item.

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ 1,239,176,602	0.1%
Air Force GF	1,083,880,196	0.0%
Navy GF	1,349,016,051	0.1%
Marine Corp GF	188,542,540	0.0%
Navy WCF	662,050,187	0.0%
Air Force WCF	188,872,303	0.0%
Army WCF	265,429,552	0.0%
Marine Corp WCF	19,001,755	0.0%
Military Retirement Fund	1,563,159,161,579	67.9%
USACE – Civil Works Program	244,497,247	0.0%
Subtotal - OMB Design. Audit	\$ 1,568,399,628,012	68.1%
DoD Designated Audit		
DHA - Contract Resource Mgmt	\$ 164,402,469,000	7.1%
DHA – Comptroller FOD	26,243,558	0.0%
DHA - USUHS	1,009,697	0.0%
DHA - SMA/Army	22,239,281,681	1.0%
DHA - SMA/Navy	19,107,987,000	0.8%
DHA - SMA/Air Force	16,834,452,000	0.7%
MERHCF	508,796,560,000	22.1%
DLA WCF	226,081,940	0.0%
DLA GF	4,838,887	0.0%
DLA Strategic Materials	1,323,916	0.0%
DoD Component Level Accounts	52,039,467	0.0%
DISA WCF	7,340,155	0.0%
DISA GF	5,440,624	0.0%
TRANSCOM - Air Mobility Command	607,032	0.0%
TRANSCOM - Command Staff	962	0.0%
TRANSCOM - Component Level	17,956,351	0.0%

Reporting Entities	FY 2015 Balance	% of Total
DeCA WCF	145,087,031	0.0%
DFAS WCF	33,389,833	0.0%
Defense Contract Audit Agency	18,475,416	0.0%
Subtotal - DoD Design. Audit	\$ 731,920,584,548	31.8%
DoD Designated Examination		
Washington Headquarters Services (WHS)	\$ 485,335	0.0%
WHS - Office of the SecDef	12,313,352	0.0%
WHS - Pnt Res Mtn Rev Fund & PFPA	9,958,102	0.0%
WHS - Building Maintenance Fund	290	0.0%
WHS - Defense Legal Services Agency	1,047	0.0%
Missile Defense Agency	534,028	0.0%
DoD Education Activity	31,319,300	0.0%
DARPA	5,006	0.0%
Defense Contract Mgmt Agency	33,111,808	0.0%
Defense Threat Reduction Agency	3,292,071	0.0%
Joint Staff (includes NDU)	1,029,671	0.0%
Subtotal - DoD Design. Exam	\$ 92,050,010	0.0%
DoD Non-material Reporting Entities		
Other Reporting Entities	1,605,935,213	0.1%
Total	\$ 2,302,018,197,782	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 Military Retirement and Other Federal Employment Benefits. 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 Military Retirement and Other Federal Employment Benefits 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	
Military Retirement and Other Federal Employment Benefits				
MB.1	Recorded Military Retirement and Other Federal Employment Benefits may not exist at a given date, do not pertain to the reporting entity, or may be improperly classified and summarized (E) (Wave 4, ROMM #1, #19, #20, #21, and #22)	Recorded Military Retirement and Other Federal Employment Benefits represent amounts actually received by the reporting entity and are properly classified (Wave 4, FRO #24 and #26)	Memoranda from a determining Federal agency (e.g., Office of Personnel Management and Department of Labor) showing the reporting entity's allocation of employment related liabilities (funded and unfunded) such as civilian pension, FECA, and unemployment benefits Schedule(s) detailing calculation of current year expenses Detail listing of factors, data, assumptions, and formulas used to prepare the actuarial calculations for each retirement/benefit	For the trust fund elements in this financial statement line item (Military Retirement Fund, Military Retirement Health Benefits, Military Medicare-eligible Retiree Benefits, Voluntary Separation Incentive Programs, and DoD Education Benefits Fund), obtain the individual fund's Schedule of Changes in Actuarial Liability and determine whether: • expenses are summarized correctly and supported by appropriate documentation • changes in actuarial assumptions are approved and documented, and the corresponding gains/losses are calculated correctly • outlays are properly summarized and supported

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Military Retirement and Other Federal Employment Benefits			
		trust fund involved in the projection	* The test procedures above should be performed in consultation with an actuarial specialist. For Federal Employees Compensation Act (FECA) liabilities, obtain documentation from the Department of Labor (DoL) indicating the Component's FECA liability allocation and determine whether: - the journal voucher to record the liability was properly prepared and authorized - the recorded balance agrees to the DoL allocation For other federal employee benefit liabilities determine whether: - recorded amounts are calculated and summarized correctly - recorded amounts are properly supported - assumptions and estimates are documented, reviewed, and approved Verify that Military Retirement and Other Federal Employment Benefit subledgers reconcile to general ledger (G/L) accounts and G/L accounts agree to the financial statements of the reporting entity
MB.2	Valid Military Retirement and Other Federal Employment Benefits may be omitted from the balance sheet or may be improperly classified and summarized (C) (Wave 4, ROMM #24, #42, #43, and #44)	All Military Retirement and Other Federal Employment Benefits are recorded in the proper accounting period and are accurately classified and summarized (Wave 4, #24, #25, and #77) Memoranda from a determining Federal agency (e.g., Office of Personnel Management and Department of Labor (DoL)) showing the reporting entity's allocation of employment related liabilities (funded and unfunded) such as civilian pension, FECA and unemployment benefits Schedule(s) detailing calculation of current year expenses Detail listing of factors, data, assumptions, and formulas used to prepare the actuarial calculations for each retirement/benefit trust fund involved in the projection	See Suggested Test Procedures for MB.1

Financial Reporting Risks		Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Military Retirement and Other Federal Employment Benefits				
MB.3	Military Retirement and Other Federal Employment Benefits included in the financial statements may be recorded at incorrect amounts, or are valued on an inappropriate basis (V) (Wave 4, ROMM #45, #64, #65, and #66)	Military Retirement and Other Federal Employment Benefits are recorded at correct amounts and valued on an appropriate valuation basis (Wave 4, FRO #24, #26, and #27)	Memoranda from a determining Federal agency (e.g., Office of Personnel Management and Department of Labor (DoL)) showing the reporting entity's allocation of employment related liabilities (funded and unfunded) such as civilian pension, FECA and unemployment benefits Schedule(s) detailing calculation of current year expenses Detail listing of factors, data, assumptions, and formulas used to prepare the actuarial calculations for each retirement/benefit trust fund involved in the projection	See Suggested Test Procedures for MB.1
MB.4	The reporting entity may not have an obligation for recorded Military Retirement and Other Federal Employment Benefits (R) (Wave 4, ROMM #72)	Recorded Military Retirement and Other Federal Employment Benefits are the reporting entity's obligations at a given date (Wave 4, FRO #41)	Memoranda from a determining Federal agency (e.g., Office of Personnel Management and DoL) showing the reporting entity's allocation of employment related liabilities (funded and unfunded) such as civilian pension, FECA and unemployment benefits	See Suggested Test Procedures for MB.1
MB.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 **Military Retirement and Other Federal Employment Benefits** footnote disclosures included in **Note 17** of the FY 2014 DoD Agency Financial Report. OMB Circular A-136, *Financial Reporting Requirements*, specifies fundamental requirements for the Military Retirement and Other Federal Employment Benefits 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.1.9 ENVIRONMENTAL AND DISPOSAL LIABILITIES

Environmental and Disposal Liabilities are future outflows or expenditures of resources that exist as of the financial reporting date for environmental cleanup, closure, and/or disposal costs resulting from past transactions or events. For Environmental and Disposal Liabilities, reporting entities must be able to

assert the audit readiness of all business processes and sub-processes associated with the recording and disclosure of environmental liabilities including identification, probability determination, and liability estimation.

Standards and Guidance

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

Financial Management and Accounting Guidance	Record Retention Policies
- SFFAS No. 1, 5, 6 (and amendments) - FASAB Technical Release (TR): 2, 10, 11, 14 - FASAB Technical Bulletin (TB): 2011-2, - DoD FMR: Volume 4, Chapter 13 - Joint OUSDC/OSUD AT&L Policy Memorandum: <i>Strategy for Environmental & Disposal Liabilities Audit Readiness</i> issued 09/30/2015 - 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 Environmental and Disposal Liabilities line item.

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ 27,508,693,000	45.8%
Air Force GF	8,382,297,000	14.0%
Navy GF	20,856,972,946	34.7%
Marine Corp GF	263,567,406	0.4%
USACE – Civil Works Program	956,888,035	1.6%
Subtotal - OMB Design. Audit	\$ 57,968,418,388	96.6%
DoD Designated Audit		
DLA WCF	\$ 1,758,848,355	2.9%
DLA GF	165,980,848	0.3%
DLA Strategic Materials	10,186,501	0.0%
DoD Component Level Accounts	19,677,461	0.0%
DeCA GF	28,984,601	0.0%
Subtotal - DoD Design. Audit	\$ 1,983,677,766	3.3%
DoD Designated Examination		
WHS – Office of the SecDef	47,990,341	0.1%
Defense Threat Reduction Agency	30,043,326	0.1%
Subtotal - DoD Design. Exam	\$ 78,033,667	0.1%
DoD Non-material Reporting Entities		
Other Reporting Entities	-	0.0%
Total	\$ 60,030,129,821	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 Environmental and Disposal Liabilities. 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 Environmental and Disposal Liabilities, 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
Environmental and Disposal Liabilities			
EL.1	Recorded Environmental and Disposal Liabilities are not representative of legal environmental costs incurred by the reporting entity, do not pertain to the reporting entity, or may be improperly classified and summarized (E) (Wave 4, ROMM #2, #19, #20, #21, and #22)	Recorded Environmental and Disposal Liabilities are valid, pertain to the reporting entity, and represent legal costs incurred by the reporting entity (Wave 4, FRO #35)	Reconciliation of the detail listing of Environmental and Disposal Liabilities to the amounts reported in the general ledger and financial statements, including appropriate explanations for reconciling items Record of Decision Identify the specific types of assets and associated liabilities that could and do contribute to the organization's liability balance (e.g., asbestos in real property assets; closure requirements for real property assets such as underground storage tanks, water treatment facilities, hazardous waste storage areas) Review the methodology used to inspect total asset inventories and arrive at those assets contributing to liability balances Select a sample of recorded Environmental and Disposal Liabilities and determine whether: • estimate amounts were reviewed and approved by an authorized official • sufficient and appropriate documentation exists to support the estimates. Verify that Environmental Liability subledgers reconcile to general ledger (G/L) accounts and G/L accounts agree to the financial statements of the reporting entity

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Environmental and Disposal Liabilities			
EL.2	Valid Environmental and Disposal Liabilities were not recorded or are improperly summarized (C) (Wave 4, ROMM #25, #42, #43 and #44)	All valid Environmental and Disposal Liabilities are recorded, are properly allocated across reporting periods and are properly summarized in the financial statements (Wave 4, FRO #33 and #77) Reconciliation of the detail listing of Environmental and Disposal Liabilities to the amounts reported in the general ledger and financial statements, including appropriate explanations for reconciling items Documentation supporting site identification and clean-up actions, such as results of site inspections, comparisons to EPA listings, and publicly available RCRA/CERCLA supporting documentation	Identify the specific types of assets and associated liabilities that could and do contribute to the organization's liability balance (e.g., asbestos in real property assets; closure requirements for real property assets such as underground storage tanks, water treatment facilities, hazardous waste storage areas) Review the methodology used to inspect total asset inventories and arrive at those assets contributing to liability balances Select a sample of recorded Environmental and Disposal Liabilities and determine whether estimates include all relevant phases and costs to complete the project and are valid. Examine the listing of Environmental and Disposal Liabilities and determine whether the list includes all locations for reporting entity Environmental Liabilities. Review real property subledger and APSR to ensure that all site locations and property have been considered for environmental liabilities.

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Environmental and Disposal Liabilities			
EL.3	Environmental and Disposal Liabilities may not be valued appropriately or recorded at the best possible estimated cost in the financial statements (V) (Wave 4, ROMM #46, #64, #65, and #66)	Environmental and Disposal Liabilities are valued using appropriate estimation methodologies and are recorded at best possible estimated cost in the financial (Wave 4, FRO #33 and #34) Reconciliation of the detail listing of Environmental and Disposal Liabilities to the amounts reported in the general ledger and financial statements, including appropriate explanations for reconciling items Record of Decision Contracts, invoices, receiving reports/status reports Documentation supporting clean-up cost estimates and related facts and assumptions Documentation supporting site identification and clean-up actions, such as results of site inspections, comparisons to EPA listings, and publicly available RCRA/CERCLA supporting documentation	Select a sample of recorded environmental liabilities and determine whether: • cost factors are valid and appropriate • estimates include all relevant phases and costs to complete the project and are valid
EL.4	The obligation for Environmental and Disposal Liabilities may not apply to the reporting entity (R) (Wave 4, ROMM #72)	Recorded Environmental and Disposal Liabilities are the reporting entity's obligations at a given date (Wave 4, FRO #36) Reconciliation of the detail listing of Environmental and Disposal Liabilities to the amounts reported in the general ledger and financial statements, including appropriate explanations for reconciling items Record of Decision Documentation supporting site identification and clean-up actions, such as results of site inspections, comparisons to EPA listings, and publicly available RCRA/CERCLA supporting documentation	Examine the listing of Environmental Liabilities and determine whether the Environmental Liabilities are appropriately classified based upon U.S. GAAP criteria for recognition and/or disclosure (occurrence of a transaction or event, future outflows are probable, future outflows are measurable).
EL.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 **Environmental and Disposal Liabilities** footnote disclosures included in **Note 14** of the FY 2014 DoD Agency Financial Report. OMB Circular A-136, *Financial Reporting Requirements*, specifies fundamental requirements for Environmental and Disposal Liabilities 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.1.10 OTHER LIABILITIES

Other Liabilities represent liabilities not recognized in specific categories. Separate reporting of items normally characterized as "Other Liabilities" is appropriate if the amounts are significant to the balance sheet. Footnote 15 of the FY 2014 DoD Agency Financial Report mentions various Other Liabilities, including accrued unfunded annual leave, accrued funded payroll and benefits, custodial liabilities, contingent liabilities, advances from others, non-environmental disposal liabilities, disbursing officer cash, FECA reimbursement to the Department of Labor, contract holdbacks, employer contribution and payroll taxes payable, deposit funds and suspense account liabilities, unemployment compensation liabilities, Judgment Fund liabilities, deferred credits, and capital lease liability. Intragovernmental Other Liabilities primarily consists of unfunded liabilities for Federal Employees Compensation Act, Unemployment Insurance, and Judgment Fund. Non-Federal Other Liabilities primarily consists of unfunded annual leave, contingent liabilities and expected expenditures for disposal of conventional munitions

Reporting entities must be able to assert the audit readiness of all business processes and sub-processes associated with Other Liabilities, including adequately supported accruals and estimates and the proper recognition of contingencies.

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 OL.1 – OL.2 and OL.4 – OL.7 can be leveraged to test both Intragovernmental and Non-Federal Other Liabilities. The suggested test procedures provided in OL.3 are for Intragovernmental Other Liabilities only. Specific considerations that apply to the presentation and disclosure assertion for Intragovernmental transactions, including Other Liabilities related transactions, 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 Other Liabilities are contained in the following table.

Financial Management and Accounting Guidance	Record Retention Policies
- SFFAS No. 5, 6, 12 (and amendments) - DoD FMR: Volume 4, Chapter 12 - 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 Intragovernmental Other Liabilities line item.

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ 2,255,166,503	26.7%
Air Force GF	1,183,958,651	14.0%
Navy GF	805,493,886	9.5%

Reporting Entities	FY 2015 Balance	% of Total
Marine Corp GF	81,750,579	1.0%
Navy WCF	320,389,778	3.8%
Air Force WCF	54,284,447	0.6%
Army WCF	112,059,214	1.3%
Marine Corp WCF	4,870,506	0.1%
Military Retirement Fund	2,071,874	0.0%
USACE – Civil Works Program	2,933,519,964	34.8%
Subtotal - OMB Design. Audit	\$ 7,753,565,404	91.9%
DoD Designated Audit		
DHA – Comptroller FOD	\$ 8,719,175	0.1%
DHA - USUHS	534,551	0.0%
DHA - SMA/Army	77,609,928	0.9%
DHA - SMA/Navy	10,791,245	0.1%
DHA - SMA/Air Force	39,808,182	0.5%
DHA - SMA/NCR	2,806,930	0.0%
DLA WCF	387,155,318	4.6%
DLA GF	2,550,948	0.0%
DLA Strategic Materials	219,495	0.0%
DoD Component Level Accounts	(22,135,327)	-0.3%
U.S. Special Operations Command	3,279,693	0.0%
DISA WCF	3,563,572	0.0%
DISA GF	2,752,220	0.0%
TRANSCOM - Air Mobility Command	29,897,995	0.4%
TRANSCOM - Military Sealift Command	23,054	0.0%
TRANSCOM - Command Staff	983	0.0%
TRANSCOM - Component Level	(10,739,504)	-0.1%
DeCA WCF	36,968,532	0.4%
DFAS WCF	12,531,201	0.1%
Defense Contract Audit Agency	6,785,237	0.1%
Subtotal - DoD Design. Audit	\$ 593,123,427	7.0%
DoD Designated Examination		
Washington Headquarters Services (WHS)	\$ 2,070,862	0.0%
WHS - Office of the SecDef	3,792,078	0.0%
WHS - Pnt Res Mtn Rev Fund & PFPA	755,328	0.0%
WHS - Building Maintenance Fund	2,162,417	0.0%
WHS - Civilian Military Program	250	0.0%
WHS - U.S. Court of Appeals, A.F.	28,633	0.0%
WHS - Defense Legal Services Agency	157,359	0.0%
Missile Defense Agency	1,699,462	0.0%
Defense Security Cooperation Agency	2,888,586	0.0%
DoD Education Activity	12,514,192	0.1%
DARPA	132,983	0.0%
Other TI-97 Funds - Army	172	0.0%
Chemical Biological Defense Program	539,000	0.0%
Defense Contract Mgmt Agency	13,210,979	0.2%
Defense Threat Reduction Agency	1,327,516	0.0%
Joint Staff (includes NDU)	981,609	0.0%
Subtotal - DoD Design. Exam	\$ 42,261,426	0.5%
DoD Non-material Reporting Entities		
Other Reporting Entities	45,915,507	0.5%
Total	\$ 8,434,865,764	100.0%

Source: FY 2015 Reporting Entity DDRS-AFS Balance Sheets

The following reporting entities comprise the Non-Federal Other Liabilities line item.

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ 9,445,366,897	27.0%
Air Force GF	7,488,373,110	21.4%
Navy GF	7,462,833,969	21.4%
Marine Corp GF	1,662,837,843	4.8%

Reporting Entities	FY 2015 Balance	% of Total
Navy WCF	1,177,021,848	3.4%
Air Force WCF	424,243,833	1.2%
Army WCF	366,228,582	1.0%
Marine Corp WCF	2,439,225	0.0%
Military Retirement Fund	241,090	0.0%
USACE – Civil Works Program	2,132,892,931	6.1%
Subtotal - OMB Design. Audit	\$ 30,162,479,327	86.4%
DoD Designated Audit		
DHA - Contract Resource Mgmt	\$ 21,187	0.0%
DHA – Comptroller FOD	37,734,421	0.1%
DHA - USUHS	9,701,239	0.0%
DHA - SMA/Army	343,453,824	1.0%
DHA - SMA/Navy	76,742,760	0.2%
DHA - SMA/Air Force	13,685,141	0.0%
DHA - SMA/NCR	23,652,325	0.1%
MERHCF	28,942	0.0%
DLA WCF	251,224,449	0.7%
DLA GF	3,310,250	0.0%
DLA Strategic Materials	837,023	0.0%
DoD Component Level Accounts	2,677,306,430	7.7%
U.S. Special Operations Command	91,196,142	0.3%
DISA WCF	38,098,908	0.1%
DISA GF	39,918,053	0.1%
TRANSCOM - Air Mobility Command	3,517,761	0.0%
TRANSCOM - Military SDDC	15,709,104	0.0%
TRANSCOM - Military Sealift Command	1,299,131	0.0%
TRANSCOM - Command Staff	4,098,983	0.0%
TRANSCOM - Defense Courier Division	17,795	0.0%
TRANSCOM - Component Level	16,077,922	0.0%
DeCA WCF	83,949,981	0.2%
DFAS WCF	82,868,604	0.2%
Defense Contract Audit Agency	52,902,650	0.2%
Subtotal - DoD Design. Audit	\$ 3,867,353,028	11.1%
DoD Designated Examination		
Washington Headquarters Services (WHS)	\$ 34,546,004	0.1%
WHS - Office of the SecDef	217,021,237	0.6%
WHS - Pnt Res Mtn Rev Fund & PFPA	47,047,791	0.1%
WHS - Building Maintenance Fund	2,051,662	0.0%
WHS - DoD Test Resource Mgmt Ctr	1,799,694	0.0%
WHS - Civilian Military Program	778,710	0.0%
WHS - U.S. Court of Appeals, A.F.	2,103,155	0.0%
WHS - Defense Legal Services Agency	3,706,455	0.0%
Missile Defense Agency	62,330,841	0.2%
Defense Security Cooperation Agency	7,791,763	0.0%
DoD Education Activity	105,438,488	0.3%
DARPA	3,291,070	0.0%
Other TI-97 Funds - Army	124,597,951	0.4%
Chemical Biological Defense Program	8,590,435	0.0%
Defense Contract Mgmt Agency	124,627,167	0.4%
Defense Threat Reduction Agency	18,008,614	0.1%
Joint Staff (includes NDU)	31,430,046	0.1%
Subtotal - DoD Design. Exam	\$ 795,161,081	2.3%
DoD Non-material Reporting Entities		
Other Reporting Entities	102,105,847	0.3%
Total	\$ 34,927,099,283	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 Other Liabilities. 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 Other Liabilities, 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
Other Liabilities			
OL.1	Recorded Other Liabilities, including custodial contingent, FECA, and unemployment liabilities; advances from others; disbursing officer cash liability; and deposit funds/suspense account liabilities do not exist at a given date, do not pertain to the reporting entity, or may be improperly classified and summarized (E) (Wave 4, ROMM #3, #19, #20, #21 and #22)	Recorded Other Liabilities, including custodial contingent, FECA, and unemployment liabilities; advances from others; disbursing officer cash liability; and deposit funds/suspense account liabilities represent events that actually occurred, and are properly summarized and classified in the financial statements (Wave 4, FRO #38) Ordering Document: MIPR, reimbursable agreement, customer order, etc. Advice of collection, deposit tickets, photocopies of checks received for advances received Reconciliations of advances from others showing amounts received, revenue earned, and remaining liabilities Invoices and calculations of penalties, interest, or administrative fees collected Invoices, IPAC billings (using GOALs reports) supporting any reductions of advances for amounts earned Reconciliation of disbursing officer cash to general ledger account balance or equivalent, evidence of foreign exchange rates, receipts for disbursements, and requests for replenishment SF-50s that support the hourly rate for leave liability calculation (supporting the grade/step/locality) for individual employees Legal representation letter prepared by the Office of General Counsel (in accordance with OMB Bulletin No. 15-02, Section 9) Management's schedule of legal liabilities (in accordance with OMB Bulletin 15-02, Section 9) Other supporting documentation necessary to support recorded Other Liability transactions (e.g., FECA letter, journal voucher listings, etc.)	Select a sample of custodial liability transactions and determine whether the transactions are appropriately supported and properly identified as custodial liabilities. Obtain the journal voucher used to record the amount of the FECA Reimbursement to the Department of Labor and determine whether the JV is properly approved and supported. Obtain the journal voucher used to record the amount of the unfunded unemployment liability and determine whether the JV is properly approved and supported. Select a sample of advances from others recorded in accounts 231000.9000 and 232000.9000 and determine whether: - initial collection of the advance is supported by appropriate documentation and represents unearned revenue - evidence of supervisory approval exists. Select a sample of non-environmental disposal liability transactions and determine whether sufficient documentation exists to support the estimates and any actual costs. Select a sample of transactions posted to the disbursing officer cash liability account (DoD account 298500.0100) and determine whether amounts

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Other Liabilities			
		Screenshots showing posting logic or other transactional support	are supported by appropriate detailed records. Select a sample of transactions recorded as deposit funds and suspense account liabilities and determine whether amounts are supported by appropriate detailed records. Verify that Other Liability subledgers reconcile to general ledger (G/L) accounts and G/L accounts agree to the financial statements of the reporting entity
OL.2	Valid Other Liabilities, including custodial, contingent, FECA, and unemployment liabilities; advances from others; disbursing officer cash liability; and deposit funds/suspense account liabilities are not recorded or are improperly summarized (C) (Wave 4, ROMM #26, #42, #43 and #44)	All valid Other Liabilities, including custodial contingent, FECA, and unemployment liabilities; advances from others; disbursing officer cash liability; and deposit funds/suspense account liabilities are recorded and are properly summarized (Wave 4, FRO #39 and #77) Reconciliations of advances from others showing amounts received, revenue earned, and remaining liability amounts Reconciliation of disbursing officer cash to general ledger account balance or equivalent Individual employee-level listing of hours, hourly rates, and total dollar amount of unfunded leave liability that reconciles to amount recorded in the financial statements Legal representation letter prepared by the Office of General Counsel (in accordance with OMB Bulletin No. 15-02, Section 9) Management's schedule of legal liabilities (in accordance with OMB Bulletin 15-02, Section 9) Other supporting documentation necessary to support recorded Other Liability transactions (e.g., FECA letter, journal voucher listings, etc.) Screenshots showing posting logic or other transactional support	Select a sample of custodial liability transaction documentation from the current period and validate that corresponding liabilities have been completely recorded in the general ledger. Obtain a list of potential claims (contingent liabilities) from the reporting entity's general counsel showing the probability and estimated amounts (if reasonably estimable) of potential losses and determine whether contingent liabilities were recorded in compliance with U.S. GAAP. Select a sample of advances from others transaction documentation from the current period and validate that corresponding liabilities have been completely recorded in the general ledger. Select a sample of non-environmental disposal liability transaction documentation from the current period and validate that corresponding liabilities have been completely recorded in the general ledger. Select a sample of

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Other Liabilities			
			disbursing officer cash transaction documentation from the current period and validate that corresponding loan custodial liabilities have been completely recorded in the general ledger. Select a sample of deposit fund and suspense account transaction documentation from the current period and validate that corresponding liabilities have been completely recorded in the general ledger.
OL.3	Other Liabilities, including custodial, contingent, FECA, and unemployment liabilities; advances from others; disbursing officer cash liability; and deposit funds/suspense account liabilities may not be properly classified as either Intragovernmental or Non-Federal (E, C)	Recorded Other Liabilities, including custodial contingent, FECA, and unemployment liabilities; advances from others; disbursing officer cash liability; and deposit funds/suspense account liabilities are properly classified as either Intragovernmental or Non-Federal (Wave 4, FRO #78)	Ordering Document: MIPR, reimbursable agreement, customer order, etc. Select a sample of Other Liabilities and obtain supporting documentation to validate that each is properly classified as either Intragovernmental or Non-Federal.
OL.4	Other Liabilities, including custodial, contingent, FECA, and unemployment liabilities; advances from others; disbursing officer cash liability; and deposit funds/suspense account liabilities including in the financial statements are valued on an inappropriate basis, or measured improperly (V) (Wave 4, ROMM #47, #64, #65, and #66)	Other Liabilities, including custodial contingent, FECA, and unemployment liabilities; advances from others; disbursing officer cash liability; and deposit funds/suspense account liabilities are summarized and reported in the financial statements at the correct amounts (Wave 4, FRO #40)	Advice of collection, deposit tickets, photocopies of checks received for advances received IPAC/GOALs report evidencing amounts advanced Reconciliations of advances from others showing amounts received, revenue earned, and remaining liability amounts Invoices and calculations of penalties, interest, or administrative fees collected Invoices, IPAC billings (using GOALs reports) supporting any reductions of advances for amounts earned Reconciliation of disbursing officer cash to general ledger account balance or equivalent, evidence of foreign exchange rates, receipts for disbursements and requests for replenishment Select a sample of custodial liability transactions and determine whether the corresponding custodial assets match the related custodial liabilities. Obtain the journal voucher used to record the amount of the FECA reimbursement to the Department of Labor and determine whether the ending FECA liability balance agrees to the amount allocated to the reporting entity by the Department of Labor. Obtain the journal voucher used to record the amount of the unfunded unemployment liability and determine whether the ending unemployment liability balance agrees to the amount allocated to the reporting entity by the Department of Labor. Select a sample of advances from others and determine whether recorded

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Other Liabilities			
		Individual employee-level listing of hours, hourly rates, and total dollar amount of unfunded leave liability that reconciles to amount recorded in the financial statements Timesheets & leave earning reports that support the amount of leave taken and earned, respectively, by pay period for individual employees SF-50s that support the hourly rate for leave liability calculation (supporting the grade/step/locality) for individual employees Legal representation letter prepared by the Office of General Counsel (in accordance with OMB Bulletin No. 15-02, Section 9) Management's schedule of legal liabilities (in accordance with OMB Bulletin 15-02, Section 9) Reconciliation of custodial and deposit fund assets to the associated liabilities Reconciliation and aging of suspense account items Other supporting documentation necessary to support recorded Other Liability transactions (e.g., FECA letter, journal voucher listings, etc.) Screenshots showing posting logic or other transactional support	amounts are accurate, Select a sample of non-environmental disposal liability transactions and determine whether: • cost factors are valid and accurate • estimates include all relevant phases and costs to complete the project and are valid • sufficient and appropriate documentation exists to support the estimated and actual costs. Select a sample of transactions posted to the disbursing officer cash liability account (DoD account 298500.0100) and determine whether: • amounts are valid, recorded timely and accurately, and are authorized • conversions of foreign currency to U.S. dollars, if any, are calculated accurately at the correct conversion rate. Select a sample of transactions recorded to deposit funds and suspense account liabilities and determine whether amounts are valid, recorded timely and accurately, and are properly authorized.
OL.5	Recorded Other Liabilities, including custodial, contingent, FECA, and unemployment liabilities; advances from others; disbursing officer cash liability; and deposit funds/suspense account liabilities may not represent valid legal	Recorded Other Liabilities, including custodial contingent, FECA, and unemployment liabilities; advances from others; disbursing officer cash liability; and deposit funds/suspense account liabilities are valid obligations of the reporting entity at a given date	Ordering Document: MIPR, reimbursable agreement, customer order, etc. Individual employee-level listing of hours, hourly rates, and total dollar amount of unfunded leave liability that reconciles to amount recorded in the financial statements Review supporting documentation to verify that recorded custodial liabilities are obligations of the reporting entity. Review supporting documentation to verify that recorded contingent liabilities are obligations of the reporting entity.

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Other Liabilities			
	obligations of the reporting entity at a given date (R) (Wave 4, ROMM #72)	(Wave 4, FRO #41) Timesheets & leave earning reports that support the amount of leave taken and earned, respectively, by pay period for individual employees Legal representation letter prepared by the Office of General Counsel (in accordance with OMB Bulletin No. 15-02, Section 9) Management's schedule of legal liabilities (in accordance with OMB Bulletin 15-02, Section 9) Other supporting documentation necessary to support recorded Other Liability transactions (e.g., FECA letter, journal voucher listings, etc.) Screenshots showing posting logic or other transactional support	Review supporting documentation to verify that recorded advances from others are obligations of the reporting entity. Review supporting documentation to verify that recorded non-environmental disposal liabilities are obligations of the reporting entity. Review supporting documentation to verify that recorded disbursing officer cash liabilities are obligations of the reporting entity. Review supporting documentation to verify that recorded deposit fund and suspense account liabilities are obligations of the reporting entity.
OL.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
OL.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 Other Liabilities 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 Other Liabilities should include: 4222 = 2310 (i.e., Budgetary Unfilled Customer Orders with Advances = Proprietary Advances from Customers)

Footnote Disclosures

Reporting entities are responsible for ensuring the completeness and accuracy of data provided to OUSD(C) for the preparation of the **Other Liabilities** footnote disclosures included in **Note 15** of the DoD Agency Financial Report. OMB Circular A-136, *Financial Reporting Requirements*, specifies fundamental requirements for Other Liabilities 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 item.

5.D.2 STATEMENT OF NET COST

The table in **Figure 5-6** below shows the material entities with respect to the earned revenue and gross costs line items presented in the DoD consolidated Statement of Net Cost.

Reporting Entities	Earned Revenue	Gross Costs
OMB Designated Audit		
Army GF	✓	✓
Air Force GF	✓	✓
Navy GF	✓	✓
Marine Corp GF	✓	✓
Navy WCF	✓	✓
Air Force WCF	✓	✓
Army WCF	✓	✓
Marine Corp WCF	✓	✓
Military Retirement Fund	✓	✓
USACE - Civil Works Program	✓	✓
DoD Designated Audit		
MRF Payment		✓
DLA WCF	✓	✓
DHA - Contract Resource Mgmt	✓	✓
DHA - SMA/Army	✓	✓
DHA - SMA/Navy	✓	✓
DHA - SMA/Air Force	✓	✓
DHA - Comptroller FOD		✓
DHA - SMA/NCR	✓	✓
DoD Component Level Accounts		✓
✓ = Material to DoD Consolidated FY 2015 Statement of Net Cost		

Reporting Entities	Earned Revenue	Gross Costs
MERHCF	✓	✓
MERHCF - Payment to MERHCF		✓
U.S. Special Operations Command		✓
DISA WCF	✓	✓
DISA GF		✓
TRANSCOM - Air Mobility Command	✓	✓
TRANSCOM - Military SDDC	✓	✓
TRANSCOM - Military Sealift Command	✓	
TRANSCOM - Command Staff	✓	
TRANSCOM - Component Level	✓	
DeCA WCF	✓	✓
DFAS WCF	✓	✓
DoD Designated Examination		
WHS - Office of the SecDef		✓
WHS - Pnt Res Mtn Rev Fund and PFPA	✓	
WHS - Building Maintenance Fund	✓	
Missile Defense Agency		✓
Defense Security Cooperation Agency		✓
DoD Education Activity		✓
Other TI-97 Funds - Army		✓
DARPA		✓
Chemical Biological Defense Program		✓
Defense Threat Reduction Agency		✓
Defense Contract Mgmt Agency		✓
DoD Non-material Reporting Entities		
Defense Acquisition University	✓	
Defense Technical Information Center	✓	✓
Defense Human Resources Activity		✓
Agency-Wide Component	✓	
✓ = Material to DoD Consolidated FY 2015 Statement of Net Cost		

Figure 5-6. Reporting Entities Material to Statement of Net Cost (Earned Revenue and Gross Cost Line Items)

5.D.2.1 Revenue

Revenue represents the inflow of resources that the Government demands, earns, or receives by donation. These amounts are received from both Government and private entities in exchange and non-exchange transactions and are a supplement to appropriations received from Congress. Exchange revenues (earned revenues) arise when a Government entity provides goods and services to the public or to another Government entity for a price. Non-exchange revenues arise primarily from exercise of the Government's power to demand payments from the public, including income taxes, duties, and fines and

penalties. Reporting entities must be able to assert the audit readiness of all business processes and sub-processes related to Revenue including the rendering of goods or services, billing, and collection.

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 RE.1 – RE.2 and RE.4 – RE.7 can be leveraged to test both Intragovernmental and Non-Federal Revenue. The suggested test procedures provided in RE.3 are for Intragovernmental Revenue only. Specific considerations that apply to the presentation and disclosure assertion for Intragovernmental transactions, including Intragovernmental Revenue, 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 Revenue are contained in the following table.

Financial Management and Accounting Guidance	Record Retention Policies
- SFFAS No. 7, 20, 21 (and amendments) - DoD FMR: Volume 4, Chapter 16 - 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 Earned Revenue line item.

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ 6,845,700,885	2.3%
Air Force GF	5,209,417,027	1.8%
Navy GF	8,006,036,958	2.7%
Marine Corp GF	283,800,034	0.1%
Navy WCF	25,813,744,230	8.7%
Air Force WCF	10,689,280,592	3.6%
Army WCF	20,384,862,547	6.9%
Marine Corp WCF	1,053,366,474	0.4%
Military Retirement Fund	112,267,833,065	38.0%
USACE – Civil Works Program	2,318,711,198	0.8%
Subtotal - OMB Design. Audit	\$ 192,872,753,010	65.4%
DoD Designated Audit		
DHA - Contract Resource Mgmt	\$ 957,687,968	0.3%
DHA – Comptroller FOD	26,369,031	0.0%
DHA - USUHS	33,908,739	0.0%
DHA - SMA/Army	1,005,743,054	0.3%
DHA - SMA/Navy	378,154,260	0.1%
DHA - SMA/Air Force	577,409,725	0.2%
DHA - SMA/NCR	305,126,957	0.1%
MERHCF	15,941,642,504	5.4%
DLA WCF	51,036,387,365	17.3%
DLA GF	78,884,420	0.0%
DLA Strategic Materials	39,461,759	0.0%
DoD Component Level Accounts	190,527,965	0.1%
U.S. Special Operations Command	222,203,689	0.1%
DISA WCF	6,385,522,030	2.2%
DISA GF	167,768,660	0.1%
TRANSCOM - Air Mobility Command	5,777,348,050	2.0%
TRANSCOM - Military SDDC	1,571,320,607	0.5%

Reporting Entities	FY 2015 Balance	% of Total
TRANSCOM - Military Sealift Command	710,449,421	0.2%
TRANSCOM - Command Staff	405,757,812	0.1%
TRANSCOM - Defense Courier Division	5,077,490	0.0%
TRANSCOM - Component Level	409,486,590	0.1%
DeCA WCF	5,553,155,834	1.9%
DeCA GF	276,838,945	0.1%
DFAS WCF	1,348,777,450	0.5%
Defense Contract Audit Agency	63,749,152	0.0%
Subtotal - DoD Design. Audit	\$ 93,468,759,476	31.7%
DoD Designated Examination		
Washington Headquarters Services (WHS)	\$ 91,901,367	0.0%
WHS - Office of the SecDef	34,093,055	0.0%
WHS - Pnt Res Mtn Rev Fund & PFPA	391,073,424	0.1%
WHS - Building Maintenance Fund	377,026,554	0.1%
WHS - Civilian Military Program	4,101	0.0%
WHS - Defense Legal Services Agency	1,460,079	0.0%
Missile Defense Agency	5,245,630	0.0%
Defense Security Cooperation Agency	12,647,088	0.0%
DoD Education Activity	55,058,441	0.0%
DARPA	221,285	0.0%
Other TI-97 Funds - Army	20,901,449	0.0%
Chemical Biological Defense Program	30,611,501	0.0%
Defense Contract Mgmt Agency	195,095,671	0.1%
Defense Threat Reduction Agency	27,532,343	0.0%
Joint Staff (includes NDU)	27,403,021	0.0%
Subtotal - DoD Design. Exam	\$ 1,270,275,008	0.4%
DoD Non-material Reporting Entities		
Other Reporting Entities	7,490,529,268	2.5%
Total	\$ 295,102,316,762	100.0%

Source: FY 2015 Reporting Entity DDARS-AFS Statements of Net Cost

Line Item Audit Readiness Considerations

The following table presents financial reporting risks, Outcomes Demonstrating Audit Readiness and KSDs specific to Revenue. 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 Revenue, 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
Revenue			
RE.1	Recorded Revenue may not pertain to the reporting entity, may not be representative of amounts earned by the reporting entity, or may be improperly classified and summarized (E) (Wave 4, ROMM #4, #5, #6, #19, and #20)	Recorded Revenue represents transactions and events that actually occurred, are appropriately classified and pertain to the reporting entity (Wave 4, FRO #43, #44, #50, #51, and #52)	Deposit tickets (SF-215s), IPAC/GOALS reports supporting cash collection dollar amounts Documentation supporting collection of exchange revenue (e.g., MIPR acceptance, reimbursable agreements, vendor invoices, contracts)
			Test a sample of Revenue transactions and examine supporting documentation to determine whether: - revenue is recorded timely (after services have been rendered or goods provided) and at correct amounts - reporting entity has earned revenue (by providing goods or services)

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Revenue			
		Invoices, collection histories, other documentation supporting an accounts receivable	Verify that Revenue subledgers reconcile to general ledger (G/L) accounts and G/L accounts agree to the financial statements of the reporting entity
RE.2	Recorded Revenue may not include all amounts earned by the reporting entity, or may not be summarized accurately in the financial statements (C) (Wave 4, ROMM #27, #28, #29, #42, and #43)	Recorded Revenue includes all amounts earned by the reporting entity, and is summarized accurately in the financial statements (Wave 4, FRO #46 and #53)	Other support to demonstrate completeness of reported revenue (e.g., reconciliation to trust fund collections)
RE.3	Revenue may not be properly classified as either Intragovernmental or Non-Federal (E, C)	Recorded Revenue is properly classified as either Intragovernmental or Non-Federal (Wave 4, FRO #78)	Trading partner confirmations, Intragovernmental Accounts Receivable reconciliations, IPAC reports, receiving reports (DD Form 250), Interservice Support Agreements (DD Form 1144)
RE.4	All valid recorded Revenue transactions may be recorded at incorrect amounts (V) (Wave 4, ROMM #48, #49, and #67)	Recorded Revenue transactions are recorded at correct amounts (Wave 4, FRO #47, #50, and #54)	Deposit tickets (SF-215s), IPAC/GOALS reports, supporting cash collection dollar amounts Documentation supporting collection of exchange revenue (e.g., MIPR acceptance, reimbursable agreements, vendor invoices, contracts) Screenshots of posting logic of sales orders, earned revenue and collection transactions Invoices, collection histories, other documentation supporting an accounts receivable Cost accounting records including a detailed listing of factors, data, assumptions, and formulas used in the calculation of current year customer rates Budget-to-actual analysis of data used to calculate prior

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Revenue			
		year customer rates Timecards and SF-50s supporting any labor costs that have been included in the calculation of customer rates Contracts and invoices supporting any direct or indirect costs that have been included in the calculation of customer rates	
RE.5	The reporting entity may not have rights to recorded Revenue (R) (Wave 4, ROMM #71)	The reporting entity has the rights to the recorded Revenue (Wave 4, FRO #48 and #55) Public law demonstrating authority to collect non-exchange revenue Contracts and invoices supporting any direct or indirect costs that have been included in the calculation of customer rates	Test a sample of revenue transactions and examine supporting documentation to determine whether reporting entity has earned revenue (by providing goods or services) and has the right to report revenue in its financial records.
RE.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
RE.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 Revenue 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 Revenue should include: (4901, Ending Balance – 4901, Beginning Balance) + 4902 + 4971 + 4972 + 4981 + 4982 = 6100 + 63X0 + 6400 + 6900 + 8802 5200 = (4251, Ending Balance – 4251, Beginning Balance) + 4252

Footnote Disclosures

Reporting entities are responsible for ensuring the completeness and accuracy of data provided to OUSD(C) for the preparation of the footnote disclosures related to **Note 18. General Disclosures Related to the Statement of Net Cost** included in the FY 2014 DoD Agency Financial Report. OMB Circular A-136, *Financial Reporting Requirements*, specifies fundamental requirements for revenue 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.2.2 Gross Costs

Expenses represent the outflow or consumption of assets or the incurrence of liabilities during an operating period. Such expenses, reported as Gross Costs on the Statement of Net Cost, represent the total costs of the following appropriations: Military Retirement Benefits, Civil Works, Military Personnel, Operations - Readiness & Support, Procurement, Research & Development and Test & Evaluation, Family Housing & Military Construction.

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 GC.3 are specific to this attribute; the suggested test procedures for GC.1/GC.2 and GC.4/GC.5 can be leveraged to test both Intragovernmental and Non-Federal Gross Costs. The suggested test procedures provided in GC.7 are for Intragovernmental Gross Costs only. Specific considerations that apply to the presentation and disclosure assertion for Intragovernmental transactions, including Intragovernmental Gross Costs, 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 Gross Costs are contained in the following table.

Financial Management and Accounting Guidance	Record Retention Policies
- SFFAS No. 4, 30, 33 (and amendments) - DoD FMR: Volume 4, Chapters 17-23 - 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 Gross Costs line item.

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ 158,314,042,970	17.8%
Air Force GF	162,026,206,580	18.3%
Navy GF	136,500,847,458	15.4%
Marine Corp GF	25,775,921,626	2.9%
Navy WCF	28,058,790,649	3.2%
Air Force WCF	11,182,939,991	1.3%
Army WCF	21,764,514,299	2.5%
Marine Corp WCF	1,449,518,949	0.2%
Military Retirement Fund	64,190,527,446	7.2%
USACE – Civil Works Program	9,365,982,490	1.1%
Subtotal - OMB Design. Audit	\$ 618,629,292,458	69.7%
DoD Designated Audit		
MRF Payment	\$ 81,759,440,000	9.2%

Reporting Entities	FY 2015 Balance	% of Total
DHA - Contract Resource Mgmt	5,604,985,859	0.6%
DHA - Comptroller FOD	1,893,053,879	0.2%
DHA - USUHS	320,205,706	0.0%
DHA - SMA/Army	12,518,828,623	1.4%
DHA - SMA/Navy	7,306,983,191	0.8%
DHA - SMA/Air Force	6,912,847,236	0.8%
DHA - SMA/NCR	1,733,252,288	0.2%
MERHCF	6,441,696,676	0.7%
MERHCF - Payment to MERHCF	4,005,000,000	0.5%
DLA WCF	48,710,992,769	5.5%
DLA GF	424,926,132	0.0%
DLA Strategic Materials	94,623,033	0.0%
DoD Component Level Accounts	21,309,550,444	2.4%
U.S. Special Operations Command	15,971,328,285	1.8%
DISA WCF	6,455,468,111	0.7%
DISA GF	2,119,533,003	0.2%
TRANSCOM - Air Mobility Command	5,630,345,849	0.6%
TRANSCOM - Military SDDC	1,375,329,415	0.2%
TRANSCOM - Military Sealift Command	664,288,398	0.1%
TRANSCOM - Command Staff	364,885,789	0.0%
TRANSCOM - Defense Courier Division	10,502,808	0.0%
TRANSCOM - Component Level	(393,607,741)	0.0%
DeCA WCF	6,896,266,438	0.8%
DeCA GF	270,473,648	0.0%
DFAS WCF	1,344,020,113	0.2%
Defense Contract Audit Agency	675,165,482	0.1%
Subtotal - DoD Design. Audit	\$ 240,420,385,435	27.1%
DoD Designated Examination		
Washington Headquarters Services (WHS)	\$ 664,037,674	0.1%
WHS - Office of the SecDef	4,895,852,812	0.6%
WHS - Pnt Res Mtn Rev Fund & PFPA	243,127,273	0.0%
WHS - Building Maintenance Fund	305,915,947	0.0%
WHS - DoD Test Resource Mgmt Ctr	327,740,820	0.0%
WHS - Civilian Military Program	160,184,848	0.0%
WHS - U.S. Court of Appeals, A.F.	15,119,073	0.0%
WHS - Defense Legal Services Agency	114,309,801	0.0%
Missile Defense Agency	7,246,063,634	0.8%
Defense Security Cooperation Agency	2,898,826,297	0.3%
DoD Education Activity	2,707,871,326	0.3%
DARPA	2,904,856,315	0.3%
Other TI-97 Funds - Army	1,342,258,347	0.2%
Chemical Biological Defense Program	1,588,717,032	0.2%
Defense Contract Mgmt Agency	1,626,996,217	0.2%
Defense Threat Reduction Agency	1,520,322,637	0.2%
Joint Staff (includes NDU)	768,334,100	0.1%
Subtotal - DoD Design. Exam	\$ 29,330,534,153	3.3%
DoD Non-material Reporting Entities		
Other Reporting Entities	(577,356,898)	-0.1%
Total	\$ 887,802,855,148	100.0%

Source: FY 2015 Reporting Entity DDRS-AFS Statements of Net Cost

Line Item Audit Readiness Considerations

The following table presents financial reporting risks, Outcomes Demonstrating Audit Readiness and KSDs specific to Gross Costs. 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 Gross Costs, 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	
Gross Costs				
GC.1	Recorded Gross Costs, including imputed financing costs and depreciation or amortization expenses, do not represent economic events that actually occurred or do not pertain to the reporting entity (E) (Wave 4, ROMM #15, #16, #18, #19, and #20)	Recorded Gross Costs, including imputed financing costs and depreciation or amortization expenses, represent economic events that actually occurred, are supported by appropriate detailed records that are accurately summarized, are properly classified, and pertain to the reporting entity (Wave 4, FRO #29, #61, and #65)	Documents supporting expenses incurred such as: invoices or other billing documents, receiving reports, IPACs, travel orders vouchers and receipts, credit card statements, etc. Note: For payroll transactions, SF 52s (Request for Personnel Actions), SF 50s (Notification of Personnel Action), approved timesheets and any supporting screenshots (e.g., for manual entry of time in DCPS), pay histories, leave/earnings statements, benefit documentation and special pay/entitlements support documents support recorded payroll expenses. Documents used to support transportation costs such as: EDI 858, EDI 859, DD 1149, DD 1348-1A, DD 1384, DD 361 Documents to support accrual estimates recorded (in instances where invoice has not been received or to support payroll accrual calculations) Screenshots showing posting logic, system purchase orders or other transactional support For imputed financing costs, documentation supporting the terms of any intra-departmental agreements (e.g., MOA, MOU, operating agreement, etc.)	Select a sample of recorded costs and agree the transactions to appropriate supporting documentation.
GC.2	Valid Gross Costs, including imputed financing costs and depreciation or amortization expenses, are not recorded or are improperly classified (C) (Wave 4, ROMM #38, #39, #41, #42, and #43)	Valid Gross Costs, including imputed financing costs and depreciation or amortization expenses, are recorded in the general ledger and financial statements, and classified properly (Wave 4, FRO #30, #62, and #66)	Documents supporting expenses incurred such as: invoices or other billing documents, receiving reports, IPACs, travel orders vouchers and receipts, credit card statements, etc. Note: For payroll transactions, SF 52s (Request for Personnel Actions), SF 50s (Notification of Personnel Action), timesheets, pay histories, leave/earnings	Select a sample of disbursements recorded subsequent to period end and examine supporting documentation to verify that: - an expense was recorded as of period end (if the disbursement is related to goods/services received prior to period end) - the actual disbursement amount agrees to or is within a reasonable variance of the expense

Financial Reporting Risks		Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Gross Costs				
			statements, benefit documentation and special pay/entitlements support documents support recorded payroll expenses. Documents used to support transportation costs such as: EDI 858, EDI 859, DD 1149, DD 1348-1A, DD 1384, DD 361 Documents to support accrual estimates recorded (in instances where invoice has not been received or to support payroll accrual calculations) Screenshots showing posting logic, system purchase orders or other transactional support	in instances of depreciation or amortization, the expense methodology is reasonable and documented.
GC.3	Gross Costs may not be properly classified as either Intragovernmental or Non-Federal (E, C)	Recorded Gross Costs are properly classified as either Intragovernmental or Non-Federal (Wave 4, FRO #78)	Trading partner confirmations, Intragovernmental Accounts Payable reconciliations, IPAC reports, receiving reports (DD Form 250), Interservice Support Agreements (DD Form 1144)	Select a sample of expense transactions and verify that the expense is properly classified as Intra-governmental or Non-Federal; for Intragovernmental Gross Costs, confirm the trading partner code.
GC.4	Gross Costs, including imputed financing costs and depreciation or amortization expenses, are recorded at incorrect amounts, or are measured improperly (V) (Wave 4, ROMM #58, #60, #61, #63, and #67)	Gross Costs, including imputed financing costs and depreciation or amortization expenses, are recorded at correct amounts, are valued using an appropriate valuation basis, and are measured properly (Wave 4, FRO #30, #63, and #67)	Documents supporting expenses incurred such as: invoices or other billing documents, receiving reports, IPACs, travel orders vouchers and receipts, credit card statements, etc. Note: For payroll transactions, SF 52s (Request for Personnel Actions), SF 50s (Notification of Personnel Action), timesheets, pay histories, leave/earnings statements, benefit documentation and special pay/entitlements support documents support recorded payroll expenses. Documents used to support transportation costs such as: EDI 858, EDI 859, DD 1149, DD 1348-1A, DD 1384, DD 361 Explanation of foreign exchange rate used for payment (e.g., local bank rate), if applicable Documents to support	Select a sample of recorded costs and validate transaction amounts with appropriate supporting documentation.

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Gross Costs			
		accrual estimates recorded (in instances where invoice has not been received or to support payroll accrual calculations) Screenshots showing posting logic, system purchase orders or other transactional support For imputed financing costs, documentation supporting any significant changes in actuarial calculations from prior years For imputed financing costs, documentation supporting evaluation of actual to expected results supporting accuracy of models used For imputed financing costs, detail listing of amounts paid during the fiscal year from the Federal Judgment Fund to settle lawsuits and claims against the reporting entity For imputed financing costs, detail calculations and support for other imputed financing costs	
GC.5	Gross Costs, including imputed financing costs and depreciation or amortization expenses, of a reporting entity include improper payments (R)	Gross Costs of a reporting entity do not include improper payments Documents supporting expenses incurred such as: invoices or other billing documents, receiving reports, IPACs, travel orders vouchers and receipts, credit card statements, etc. Note: For payroll transactions, SF 52s (Request for Personnel Actions), SF 50s (Notification of Personnel Action), timesheets, pay histories, leave/earnings statements, benefit documentation and special pay/entitlements support documents support recorded payroll expenses. Documents used to support transportation costs such as: EDI 858, EDI 859, DD 1149, DD 1348-1A, DD	Select a sample of recorded costs and verify that each cost and corresponding disbursement: • agrees to amounts contained in appropriate supporting documentation • is for eligible goods or services • is not duplicative in nature • is for goods or services that have been received.

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Gross Costs			
		1384, DD 361 Documents to support accrual estimates recorded (in instances where invoice has not been received or to support payroll accrual calculations)	
GC.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
GC.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 Gross Costs 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 Gross Costs should include: $6100 + 6400 + 6610 = (4901, \text{Ending Balance} - 4901 \text{ Beginning Balance}) + 4902$

Footnote Disclosures

Reporting entities are responsible for ensuring the completeness and accuracy of data provided to OUSD(C) for the preparation of the **General Disclosures Related to the Statement of Net Cost** included in **Note 18** of the FY 2014 DoD Agency Financial Report. OMB Circular A-136, *Financial Reporting Requirements*, specifies fundamental requirements for Gross Cost 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.3 STATEMENT OF CHANGES IN NET POSITION

The net position of a reporting entity represents the difference between the assets and liabilities shown on its balance sheet. The Statement of Changes in Net Position (SCNP) presents a reconciliation of cumulative results of operations and unexpended appropriations from the beginning to the end of the reporting period.

Each reporting entity should ensure that the following equations balance for the SCNP:

No.	Equation
1	SCNP Beginning Balances = Net Position Balances from prior year Balance Sheet
2	SCNP Ending Balances = Net Position Balances from current year Balance Sheet
3	Net Cost of Operations Balance in SCNP = Net Cost of Operations Balance in Statement of Net Cost (SNC)
4	Appropriations Used (Cumulative Results of Operations) in SCNP = Appropriations Used (Unexpended Appropriations) in SCNP

In assessing the individual lines in its SCNP, reporting entities should review relevant sections of OMB Circular A-136, *Financial Reporting Requirements*. Specific guidance that reporting entities must follow is presented for the following four line items which are material to the DoD Consolidated SCNP:

- Appropriations Used
- Other Financing Sources – Other
- Appropriations Received
- Other Adjustments

Reporting entities should also review relevant sections of OMB Circular A-136, *Financial Reporting Requirements*, for additional information regarding each line on the SCNP.

5.D.3.1 APPROPRIATIONS USED

Appropriations are considered used as a financing source when goods or services have been provided. The Appropriations Used balance includes appropriations used for both items that are expensed or capitalized. It does not include undelivered orders or unobligated appropriations. The balance reflected on the SCNP for Appropriations Used should agree to the balance of the reporting entity for USSGL account 570000 – Expended Appropriations. The detail transactions impacting the account balance should have been tested in conjunction with the efforts of the reporting entity to assert to the audit readiness of its SBR.

Audit Readiness Considerations

The following table presents financial reporting risks, outcomes demonstrating audit readiness and KSDs specific to Appropriations Used. In order to assert audit readiness for this line item, reporting entities must demonstrate that effective controls are in place to achieve the audit readiness outcomes 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 Appropriations Used, 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
Appropriations Used				
AU.1	Appropriations Used may not pertain to the reporting entity, may not be representative of amounts expended by the reporting entity, or may be improperly classified and summarized (E) (Wave 4 – SCNP, ROMM #1)	Recorded Appropriations Used pertain to the reporting entity, are representative of amounts expended by the reporting entity and are properly classified and summarized (Wave 4 – SCNP, FRO #1)	General ledger account reconciliations for USSGL account 570000 – Expended Appropriations General ledger account detail for USSGL account 570000 – Expended Appropriations	Review the posting logic within the general ledger and determine whether transactions impacting USSGL account 570000 – Expended Appropriations map to the correct accounts in accordance with the USSGL
AU.2	Recorded Appropriations Used may not include all amounts used by the reporting entity, or may not be summarized accurately in the financial statements (C) (Wave 4 – SCNP, ROMM #5)	All Appropriations Used are recorded in the correct period and are properly summarized (Wave 4 – SCNP, FRO #2)	Posting logic for transactions that impact USSGL account 570000 – Expended Appropriations Other documentation to support adjusting journal vouchers posted to USSGL	Reconcile the balance of Appropriations Used per the SCNP to the underlying the general ledger account detail for USSGL account 570000 – Expended Appropriations (universe of transactions)

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Appropriations Used			
AU.3	Appropriations Used included in the financial statements are recorded at incorrect amounts or valued on an inappropriate basis (V) (Wave 4 – SCNP, ROMM #9)	account 570000 – Expended Appropriations	Select a sample of journal vouchers from the universe of transactions and: - Obtain appropriate documentation that adequately supports the journal voucher - Review the nature of the journal voucher for reasonableness - Determine whether the transaction has been appropriately classified in the SCNP
AU.4	The reporting entity does not have rights to recorded Appropriations Used at a given date (R) (Wave 4 – SCNP, ROMM #13)		
AU.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

In addition to ensuring the audit readiness of its own Appropriations Used balance, a reporting entity must provide data that is complete and accurate to OUSD(C) for the preparation of the Disclosures Related to the Statement of Changes in Net Position included in Note 19 of the FY 2014 DoD Agency Financial Report. OMB Circular A-136, *Financial Reporting Requirements*, also specifies requirements for SCNP footnote disclosures that reporting entities must consider for standalone and consolidated reporting purposes.

5.D.3.2 OTHER FINANCING SOURCES - OTHER

Because the Other Financing Sources – Other account balance is material to the DoD Consolidated SCNP, reporting entities must be able to reconcile this account balance and ensure that adequate documentation exists to support transactions recorded to the account. Per OMB Circular A-136, *Financial Reporting Requirements*, this account should include financing sources that do not represent budgetary resources and are not otherwise classified in other line items on the SCNP.

Audit Readiness Considerations

The following table presents financial reporting risks, outcomes demonstrating audit readiness and KSDs specific to Other Financing Sources - Other. In order to assert audit readiness for this line item, reporting entities must demonstrate that effective controls are in place to achieve the audit readiness outcomes 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 Other Financing Sources - Other, 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
Other Financing Sources - Other				
OT.1	Other Financing Sources - Other may not pertain to the reporting entity, may not be representative of amounts of transactions entered into by the reporting entity, or may be improperly classified and summarized (E) (Wave 4 – SCNP, ROMM #2)	Recorded Other Financing Sources - Other represent amounts of transactions actually entered into by the reporting entity and are properly classified (Wave 4 – SCNP, FRO #5)	General ledger account reconciliations for USSGL accounts with activity included in Other Financing Sources – Other (e.g., 719000 – Other Gains, 729000 – Other Losses, etc.) General ledger account detail for USSGL accounts with activity during the period included in Other Financing Sources – Other	Review the posting logic within the general ledger and determine whether transactions impacting the Other Financing Sources – Other line item on the SCNP map to the correct accounts in accordance with the USSGL
OT.2	Recorded Other Financing Sources - Other may not include all amounts used by the reporting entity, or may not be summarized accurately in the financial statements (C) (Wave 4 – SCNP, ROMM #6)	All Other Financing Sources - Other are recorded in the correct period and are properly summarized (Wave 4 – SCNP, FRO #6)	Posting logic for transactions that impact USSGL accounts included in Other Financing Sources – Other	Reconcile the balance of Other Financing Sources – Other per the SCNP to the underlying the general ledger account detail for USSGL accounts with activity during the period included in the Other Financing Sources – Other balance on the SCNP (universe of transactions)
OT.3	Other Financing Sources - Other included in the financial statements are recorded at incorrect amounts or valued on an inappropriate basis (V) (Wave 4 – SCNP, ROMM #10)	Other Financing Sources - Other included in the financial statements are valued correctly, using an appropriate valuation basis (Wave 4 – SCNP, FRO #7)	Other documentation to support adjusting journal vouchers posted to accounts included in Other Financing Sources – Other	Select a sample of journal vouchers from the universe of transactions and: - Obtain appropriate documentation that adequately supports the journal voucher - Review the nature of the journal voucher for reasonableness - Determine whether the transaction has been appropriately classified in the SCNP
OT.4	The reporting entity does not have rights to or obligations for amounts posted to Other Financing Sources – Other at a given date (R) (Wave 4 – SCNP, ROMM #14)	The reporting entity has rights to or obligations for amounts posted to Other Financing Sources – Other at a given date (Wave 4 – SCNP, FRO #8)		
OT.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

In addition to ensuring the audit readiness of its own Other Financing Sources - Other balance, a reporting entity must provide data that is complete and accurate to OUSD(C) for the preparation of the Disclosures Related to the Statement of Changes in Net Position included in Note 19 of the FY 2014 DoD Agency Financial Report. OMB Circular A-136, *Financial Reporting Requirements*, also specifies requirements for SCNP footnote disclosures that reporting entities must consider for standalone and consolidated reporting purposes.

5.D.3.3 APPROPRIATIONS RECEIVED

The Appropriations Received balance on the SCNP reflects amounts appropriated from Treasury general fund receipts that are not earmarked by law for a specific purpose. The balance will not necessarily agree with the Appropriations Received balance reported on the SBR because of differences between proprietary and budgetary accounting concepts and reporting. For example, certain dedicated and earmarked receipts are recorded as Appropriations Received on the SBR, but are recognized as exchange or non-exchange revenue for the SCNP and are reported in accordance with SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*.

Audit Readiness Considerations

The following table presents financial reporting risks, outcomes demonstrating audit readiness and KSDs specific to Appropriations Received. In order to assert audit readiness for this line item, reporting entities must demonstrate that effective controls are in place to achieve the 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 Appropriations Received, 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
Appropriations Received				
AD.1	Recorded Appropriations Received may not exist at a given date, do not pertain to the reporting entity, or may be improperly classified and summarized (E) (Wave 4 – SCNP, ROMM #3)	Recorded Appropriations Received represent amounts actually received by the reporting entity and are properly classified (Wave 4 – SCNP, FRO #9)	General ledger account reconciliations for USSGL account 310100 – Unexpended Appropriations – Appropriations Received	Reconcile Appropriations Received per the SBR to Appropriations Received per the SCNP
AD.2	Valid Appropriations Received may be omitted from financial statements or may be improperly classified and summarized (C) (Wave 4 – SCNP, ROMM #7)	All Appropriations Received are recorded in the proper accounting period and are accurately classified and summarized (Wave 4 – SCNP, FRO #10)	General ledger account detail for USSGL account 310100 – Unexpended Appropriations – Appropriations Received	Identify the general ledger account detail comprising the balance of any differences between Appropriations Received per the SBR and Appropriations Received per the SCNP (universe of transactions)
AD.3	Appropriations Received included in the financial statements are recorded at incorrect amounts or valued on an inappropriate basis (V) (Wave 4 – SCNP, ROMM #11)	Appropriations Received included in the financial statements are valued correctly, using an appropriate valuation basis (Wave 4 – SCNP, FRO #11)	Posting logic for transactions that impact USSGL account 310100 – Unexpended Appropriations – Appropriations Received	Select a sample of journal vouchers from the universe of transactions and:
AD.4	The reporting entity does not have rights to recorded Appropriations Received at a given date (R) (Wave 4 – SCNP, ROMM #15)	The reporting entity has rights to recorded Appropriations Received at a given date (Wave 4 – SCNP, FRO #12)	Other documentation to support journal vouchers posted to USSGL account 310100 – Unexpended Appropriations – Appropriations Received	- Obtain appropriate documentation that adequately supports the journal voucher - Review the nature of the journal voucher for reasonableness - Determine whether the transaction has been appropriately classified in the SCNP

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Appropriations Received			
AD.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

In addition to ensuring the audit readiness of its own Appropriations Received balance, a reporting entity must provide data that is complete and accurate to OUSD(C) for the preparation of the Disclosures Related to the Statement of Changes in Net Position included in Note 19 of the FY 2014 DoD Agency Financial Report. OMB Circular A-136, *Financial Reporting Requirements*, also specifies requirements for SCNPs footnote disclosures that reporting entities must consider for standalone and consolidated reporting purposes.

5.D.3.4 OTHER ADJUSTMENTS

Because the Other Adjustments account balance is material to the DoD Consolidated SCNPs, reporting entities must be able to reconcile this account balance and ensure that adequate documentation exists to support transactions recorded to the account. This account includes adjustments to unexpended appropriations. Examples of adjustments include rescissions, capital transfers and cancellations of expired appropriations

Audit Readiness Considerations

The following table presents financial reporting risks, outcomes demonstrating audit readiness and KSDs specific to Other Adjustments. In order to assert audit readiness for this line item, reporting entities must demonstrate that effective controls are in place to achieve the audit readiness outcomes 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 Other Adjustments, 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
Other Adjustments			
OT.1	Other Adjustments may not pertain to the reporting entity, may not be representative of amounts of transactions entered into by the reporting entity, or may be improperly classified and summarized (E) (Wave 4 – SCNPs, ROMM #4)	Recorded Other Adjustments represent amounts of transactions actually entered into by the reporting entity and are properly classified (Wave 4 – SCNPs, FRO #13)	General ledger account reconciliations for USSGL account 310600 – Unexpended Appropriations – Adjustments General ledger account detail for USSGL account 310600 – Unexpended Appropriations – Adjustments
			Review the posting logic within the general ledger and determine whether transactions impacting the Other Adjustments line item on the SCNPs map to the correct accounts in accordance with the USSGL Reconcile the balance of Other Adjustments per the

Financial Reporting Risks		Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Other Adjustments				
OT.2	Recorded Other Adjustments may not include all amounts used by the reporting entity, or may not be summarized accurately in the financial statements (C) (Wave 4 – SCNP, ROMM #8)	All Other Adjustments are recorded in the correct period and are properly summarized (Wave 4 – SCNP, FRO #14)	Posting logic for transactions that impact USSGL account 310600 – Unexpended Appropriations – Adjustments	SCNP to the underlying the general ledger account detail for USSGL account 310600 – Unexpended Appropriations – Adjustments (universe of transactions)
OT.3	Other Adjustments included in the financial statements are recorded at incorrect amounts or valued on an inappropriate basis (V) (Wave 4 – SCNP, ROMM #12)	Other Adjustments included in the financial statements are valued correctly, using an appropriate valuation basis (Wave 4 – SCNP, FRO #15)	Other documentation to support journal vouchers posted to USSGL account 310600 – Unexpended Appropriations – Adjustments	Select a sample of journal vouchers from the universe of transactions and: - Obtain appropriate documentation that adequately supports the journal voucher - Review the nature of the journal voucher for reasonableness - Determine whether the transaction has been appropriately classified in the SCNP
OT.4	The reporting entity does not have rights to or obligations for amounts posted to Other Adjustments at a given date (R) (Wave 4 – SCNP, ROMM #16)	The reporting entity has rights to or obligations for amounts posted to Other Adjustments at a given date (Wave 4 – SCNP, FRO #16)		
OT.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

In addition to ensuring the audit readiness of its own Other Adjustments balance, a reporting entity must provide data that is complete and accurate to OUSD(C) for the preparation of the Disclosures Related to the Statement of Changes in Net Position included in Note 19 of the FY 2014 DoD Agency Financial Report. OMB Circular A-136, *Financial Reporting Requirements*, also specifies requirements for SCNP footnote disclosures that reporting entities must consider for standalone and consolidated reporting purposes.

5.D.4 FINANCIAL REPORTING

Financial Reporting is the process for ensuring the completeness and accuracy of the data provided for the DoD Agency Financial Report, including proper and adequate note disclosures. Financial Reporting addresses the presentation and disclosure assertion for all financial statement line items. OMB Circular A-136, *Financial Reporting Requirements*, specifies fundamental requirements for adequate and proper financial statement note disclosures.

All reporting entities must be able to assert to the audit readiness of all business processes and sub-processes associated with Financial Reporting, including proper note disclosure and general ledger recording. For reporting entities undergoing, or preparing to undergo a financial statement audit (OMB and DoD Designated Audit entities), this includes the development of the Management’s Discussion and Analysis (MD&A), financial statements and notes to the financial statements, required supplementary

information (RSI), required supplementary stewardship information (RSSI), and other accompanying information (OAI).³

Standards and Guidance

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

Financial Management and Accounting Guidance	Record Retention Policy
- SFFAS No. 24 (and amendments) - OMB Circular A-136 – Financial Reporting Requirements - GAO/PCIE FAM 2010 - GAO/PCIE FAM 2020	- National Archives and Records Administration (NARA) General Records Schedule 1.1 - DoD FMR: Volume 1, Chapter 9

Line Item Audit Readiness Considerations

The following table presents financial reporting risks, Outcomes Demonstrating Audit Readiness and KSDs specific to Financial Reporting. In order to assert audit readiness for Financial Reporting, 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 Financial Reporting, 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
Financial Reporting			
FR.1	Trial balances (or equivalents) are not accurate or valid (E, P) (Wave 2 - SBR, ROMM #12, #13, #39, and #40; Wave 3, ROMM #11; Wave 4, ROMM #19, #20, #21, #68, and #69)	Trial balances (or equivalents) are accurate and valid (Wave 2 - SBR, FRO #1, #2, #5, and #6; Wave 3, FRO #1; Wave 4, FRO #1, #5, #9, #13, #14, #19, #26, #29, #35, #38, #44, #56, #57, #61, #65, #72, and #77)	Trial Balances Review reconciliation of trial balance to the listing of Treasury accounts in the Treasury FAST Book and determine whether: - all trial balances for all Treasury accounts and general ledgers are included - only valid Treasury accounts are included in the trial balance. Review the posting logic within the general ledger and determine whether: - transactions map to the correct accounts in accordance with the USSGL - changes made to the posting logic are accurate and approved by an authorizing official, as evidenced by the approver's signature and date

³ Other reporting entities, such as Military Housing Privatization Initiative, may not produce a stand-alone AFR, but must perform audit readiness tasks necessary to support the DoD consolidated MD&A, statements, notes, RSI, RSSI and OAI.

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures	
Financial Reporting				
			- changes or modifications to the chart of accounts or the posting logic are restricted to appropriate users. Review postings from the sub-ledgers to the general ledger and determine whether: - postings are made completely, accurately, and in the proper period - suspense, invalid, or other rejected or improper automated postings are analyzed, researched, and resolved on a timely basis - resolution of suspense postings is properly approved - postings are restricted to appropriate users - proper segregation of duties exist. Verify that all trial balances (or equivalents) are accurate and valid.	
FR.2	All trial balances (or equivalents) are not produced timely (C, P) (Wave 2 - SBR, ROMM #25, #26, and #41; Wave 4, ROMM #42, #43, #44, and #70)	Trial balances (or equivalents) are produced timely (Wave 2 - SBR, FRO #3, #7, and #8; Wave 4, FRO #71, #73, and #77)	Trial Balances	Verify that all balances (or equivalents) are produced timely.
FR.3	All trial balances (or equivalents) are not loaded into DDRS-B timely (C, P) (Wave 2 - SBR, ROMM #25, #26, and #41; Wave 4, ROMM #42, #43, #44, and #70)	Trial balances (or equivalents) are loaded into DDRS-B timely (Wave 2 - SBR, FRO #3, #7, and #8; Wave 4, FRO #71, #73, and #77)	Trial Balances	Verify that all trial balances (or equivalents) are loaded into DDRS-B timely.
FR.4	Trial balances (or equivalents) are not completely or accurately loaded into DDRS-B (C, V, P) (Wave 2 - SBR, ROMM #25, #26, and #41; Wave 4, ROMM #42, #43, #44, #65, #66, and #70)	Trial balances (or equivalents) are complete and accurately loaded into DDRS-B (Wave 2 - SBR, FRO #3, #7, and #8; Wave 4, FRO #2, #6, #10, #14, #17, #21, #26, #30, #33, #40, #46, #47, #56, #58, #63, #67, #71, #72, #73, and #77)	Trial Balances	Verify that all trial balances (or equivalents) are loaded into DDRS-B completely and accurately (debit and credit account balances sum to zero).
FR.5	All trial balance data in DDRS-B is not loaded into DDRS-AFS timely (C, P) (Wave 2 - SBR, ROMM #26 and #41; Wave 4, ROMM #43 and	All trial balance data in DDRS-B is loaded into DDRS-AFS timely (Wave 2 - SBR, FRO #3 and #8; Wave 4, FRO #4, #8, #12, #15, #18, #23, #28, #31,	Trial Balances	Verify that all trial balance data in DDRS-B is loaded into DDRS-AFS timely.

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Financial Reporting			
	#70)	#32, #42, #45, #49, #60, #64, #68, #71, #73, and #77)	
FR.6	Trial balance data is not accurately loaded from DDRS-B into DDRS-AFS (V, P) (Wave 2 - SBR, ROMM ##39 and #40; Wave 3, ROMM #11; Wave 4, ROMM #68 and #69)	Trial balance data is accurately loaded from DDRS-B into DDRS-AFS (Wave 2 - SBR, FRO #1 and #2; Wave 3, FRO #1; Wave 4, FRO #4, #8, #12, #15, #18, #23, #28, #31, #32, #42, #45, #49, #60, #64, #68, #71, #73, and #77)	Trial Balances Verify that all trial balance data is accurately loaded from DDRS-B into DDRS-AFS.
FR.7	Journal vouchers and adjustments recorded in DDRS-B and DDRS-AFS are not accurate or valid (E, P) (Wave 2 - SBR, ROMM #12, #13, #39, and #40; Wave 3, ROMM #11; Wave 4, ROMM #19, #20, #21, #22, #23, #68, and #69)	All journal vouchers and adjustments recorded in DDRS-B and DDRS-AFS are accurate (correct amount, Treasury account, line of accounting, reporting entity) and valid (authorized/approved transactions supported by appropriate documentation) (Wave 2 - SBR, FRO #1, #2, #5, and #6; Wave 3, FRO #1; Wave 4, FRO #1, #5, #9, #13, #14, #19, #26, #29, #35, #38, #44, #56, #57, #61, #65, #69, #72, and #77)	Journal Vouchers Trading partner data summarization worksheets Select a sample of recorded adjustments made to the general ledger, DDRS-B and DDRS-AFS, and determine whether: - the adjustments are accurately recorded as supported by underlying documentation (JV form) - the JV is signed and dated by the preparer - the adjustments are reviewed and approved by an authorizing official as evidenced by the approver's signature and date - proper segregation of duties exist. Review the Year-End Closing process and determine whether: - closing adjustments are recorded completely, accurately, and in the proper period - closing adjustments are reviewed and approved by an authorizing official as evidenced by the approver's signature and date - posting of closing adjustments are restricted to appropriate users. Verify that all JV activity (e.g., non-expenditure transfers, adjusting entries) recorded in DDRS-B and DDRS-AFS are accurate, valid and supported by appropriate approval documentation. Verify that all trading partner activity is properly summarized and elimination

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Financial Reporting			
			journal vouchers are accurate, valid and supported by appropriate approval documentation.
FR.8	All journal vouchers and adjustments recorded in DDRS-B and DDRS-AFS are timely (C, P) (Wave 2 - SBR, ROMM #26 and #41; Wave 4, ROMM #42, #43, #44, and #70)	All journal vouchers and adjustments are recorded timely in DDRS-B and DDRS-AFS (Wave 2 - SBR, FRO #3, #7, and #8; Wave 4, FRO #71 and #73)	Journal Vouchers See Suggested Test Procedures for FR.7
FR.9	All financial statements, related footnotes, and required and accompanying information are not accurate or valid (E, P) (Wave 2 – SBR, ROMM #39 and #40; Wave 3, ROMM #11; Wave 4, ROMM #68 and #69)	The financial statements (Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources), related footnotes, required supplementary information, and other accompanying information are accurate (in compliance with accounting and reporting standards) and valid (supported by data in DDRS-AFS) (Wave 2 – SBR, FRO #1 and #2; Wave 3, FRO #1; Wave 4, FRO #4, #8, #12, #15, #18, #23, #28, #31, #32, #42, #45, #49, #60, #64, #68, and #73)	Financial Statements, Footnote Disclosures At year-end and for one interim quarter, compare the information in the trial balance, general ledger and financial statements to determine whether: - the account balances per the reporting entity trial balance, DDRS-B, DDRS-AFS and financial statements agree - the financial statements are prepared in accordance with U.S. GAAP and underlying accounts are mapped to the financial statements in accordance with the USSGL - any exceptions noted are adequately researched and resolved. Review the Performance and Accountability Report (PAR) or the Agency Financial Report (AFR) and the financial statements and notes to determine whether: - the accompanying information has been presented, disclosed, and developed in conformity with OMB Circular A-136 requirements - information presented in notes is consistent with information reported in the financial statements - financial statements and notes were reviewed and approved by an authorized official prior to being published - balances and the amounts per the manually produced notes agree to the financial statements, DDRS-B, DDRS-AFR, and the

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Financial Reporting			
			DDRS produced notes. Review the Standard Guidance Checklist at year-end and one interim quarter and determine whether: - the Standard Guidance Checklist was completed, reviewed, approved, and signed and dated by the preparer and approver - the Standard Guidance checklist conforms with the requirements contained in FAM 2010, Checklist for Federal Accounting, and FAM 2020, Checklist for Federal Reporting and Disclosures, to ensure all required disclosures have been made. See also Suggested Test Procedures for FR.1 and FR.10
FR.10	All financial statements, related footnotes, and required accompanying information are not completed timely (C, P) (Wave 2 – SBR, ROMM #41; Wave 4, ROMM #70)	The financial statements (Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources), related footnotes, required supplementary information and other accompanying information are completed timely (Wave 2 – SBR, FRO #1 and #2; Wave 3, FRO #1; Wave 4, FRO #4, #8, #12, #15, #18, #23, #28, #31, #32, #42, #45, #49, #60, #64, #68, and #73)	Financial Statements, Footnote Disclosures
FR.11	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 annual DoD Agency Financial Report (AFR), including the related Footnote Disclosures. OMB Circular A-136, *Financial Reporting Requirements*, specifies fundamental requirements for certain footnote disclosures that reporting entities must consider in carrying out audit readiness activities.