

### 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
<ul style="list-style-type: none"> <li>SFFAS No. 4, 30, 33 (and amendments)</li> <li>DoD FMR: Volume 4, Chapters 17-23</li> <li>DCFO Memorandum: <i>Accurate and Reliable DoD Component-level Financial Management Trial Balances</i></li> </ul>	<ul style="list-style-type: none"> <li>National Archives and Records Administration (NARA) General Records Schedule (GRS) 1.1</li> <li>DoD FMR: Volume 1, Chapter 9</li> </ul>

### Balance By Reporting Entity

The following reporting entities comprise the Gross Costs line item.

Reporting Entities	FY 2015 Balance	% of Total
<b>OMB Designated Audit</b>		
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%
<b>DoD Designated Audit</b>		
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%
<b>Subtotal - DoD Design. Audit</b>	<b>\$ 240,420,385,435</b>	<b>27.1%</b>
<b>DoD Designated Examination</b>		
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%
<b>Subtotal - DoD Design. Exam</b>	<b>\$ 29,330,534,153</b>	<b>3.3%</b>
<b>DoD Non-material Reporting Entities</b>		
Other Reporting Entities	(577,356,898)	-0.1%
<b>Total</b>	<b>\$ 887,802,855,148</b>	<b>100.0%</b>

Source: FY 2015 Reporting Entity DDCS-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
<b>Gross Costs</b>			
<p>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)</p>	<p>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)</p>	<p>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.)</p>	<p>Select a sample of recorded costs and agree the transactions to appropriate supporting documentation.</p>
<p>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)</p>	<p>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)</p>	<p>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</p>	<p>Select a sample of disbursements recorded subsequent to period end and examine supporting documentation to verify that:</p> <ul style="list-style-type: none"> <li>• an expense was recorded as of period end (if the disbursement is related to goods/services received prior to period end)</li> <li>• the actual disbursement amount agrees to or is within a reasonable variance of the expense</li> </ul>

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
<b>Gross Costs</b>			
		<p>statements, benefit documentation and special pay/entitlements support documents support recorded payroll expenses.</p> <p>Documents used to support transportation costs such as: EDI 858, EDI 859, DD 1149, DD 1348-1A, DD 1384, DD 361</p> <p>Documents to support accrual estimates recorded (in instances where invoice has not been received or to support payroll accrual calculations)</p> <p>Screenshots showing posting logic, system purchase orders or other transactional support</p>	<ul style="list-style-type: none"> <li>in instances of depreciation or amortization, the expense methodology is reasonable and documented.</li> </ul>
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)
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)	<p>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.</p> <p>Documents used to support transportation costs such as: EDI 858, EDI 859, DD 1149, DD 1348-1A, DD 1384, DD 361</p> <p>Explanation of foreign exchange rate used for payment (e.g., local bank rate), if applicable</p> <p>Documents to support</p>

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
<b>Gross Costs</b>			
		<p>accrual estimates recorded (in instances where invoice has not been received or to support payroll accrual calculations)</p> <p>Screenshots showing posting logic, system purchase orders or other transactional support</p> <p>For imputed financing costs, documentation supporting any significant changes in actuarial calculations from prior years</p> <p>For imputed financing costs, documentation supporting evaluation of actual to expected results supporting accuracy of models used</p> <p>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</p> <p>For imputed financing costs, detail calculations and support for other imputed financing costs</p>	
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	<p>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.</p> <p>Documents used to support transportation costs such as: EDI 858, EDI 859, DD 1149, DD 1348-1A, DD</p> <p>Select a sample of recorded costs and verify that each cost and corresponding disbursement:</p> <ul style="list-style-type: none"> <li>• agrees to amounts contained in appropriate supporting documentation</li> <li>• is for eligible goods or services</li> <li>• is not duplicative in nature</li> <li>• is for goods or services that have been received.</li> </ul>

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
<b>Gross Costs</b>			
		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: <ul style="list-style-type: none"> <li>determine the root cause of the variance</li> <li>execute appropriate corrective actions to resolve the variance</li> <li>document executed corrective actions</li> </ul> Tie-point reconciliations related to Gross Costs should include: <ul style="list-style-type: none"> <li>6100 + 6400 + 6610 = (4901, Ending Balance – 4901 Beginning Balance) + 4902</li> </ul>

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**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