

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
<ul style="list-style-type: none"> <li>SFFAS No. 1 <b>(and amendments)</b></li> <li>DoD FMR: Volume 4, Chapter 7</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 Intragovernmental - Investments line item.

Reporting Entities	FY 2015 Balance	% of Total
<b>OMB Designated Audit</b>		
Amy 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%
<b>Subtotal - OMB Design. Audit</b>	<b>\$ 609,290,650,633</b>	<b>72.1%</b>
<b>DoD Designated Audit</b>		
MERHCF	\$ 233,397,547,279	27.6%
<b>Subtotal - DoD Design. Audit</b>	<b>\$ 233,397,547,279</b>	<b>27.6%</b>
<b>DoD Non-material Reporting Entities</b>		
Other Reporting Entities	1,976,745,319	0.2%
<b>Total</b>	<b>\$ 844,664,943,230</b>	<b>100.0%</b>

Source: FY 2015 Reporting Entity DRS-AFS Balance Sheets

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

Reporting Entities	FY 2015 Balance	% of Total
<b>DoD Designated Exam</b>		
Other TI-97 Funds - Army	\$ 1,965,671,500	58.3%
<b>Subtotal - DoD Design. Exam</b>	<b>\$ 1,965,671,500</b>	<b>58.3%</b>
<b>DoD Non-material Reporting Entities</b>		
Other Reporting Entities	1,406,225,630	41.7%
<b>Total</b>	<b>\$ 3,371,897,130</b>	<b>100.0%</b>

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	
<b>Investments</b>				
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)	<p>Bureau of Public Debt account statement or investment report</p> <p>Investment subsidiary ledger with detailed investment activity including all purchases, interest income, discount/amortization, redemptions, etc.</p>	<p>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.</p> <p>Perform inquiries of appropriate personnel and examine documentation to determine whether investment activity (purchases and redemptions) was properly authorized by appropriate personnel.</p>
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)	<p>Bureau of Public Debt account statement or investment report</p> <p>Investment subsidiary ledger with detailed investment activity including all purchases, interest income, discount/amortization, redemptions, etc.</p>	See Suggested Test Procedures for IN.1

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
<b>Investments</b>			
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
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.
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.
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,