

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
<ul style="list-style-type: none"> 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> 	<ul style="list-style-type: none"> 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		
Amy 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 & PFFA	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 DDRS-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)	<p>Deposit tickets (SF-215s), IPAC/GOALs reports supporting cash collection dollar amounts</p> <p>Invoices, collection histories, other supporting documentation supporting an accounts receivable</p> <p>Copy of Treasury Report on Receivables and documentation supporting preparation and contents of the report</p>
			<p>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.</p> <p>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.</p>

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Accounts Receivable			
			<p>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.)</p> <p>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</p>
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)	<p>IPAC/GOALS reports supporting cash collection dollar amounts</p> <p>Accounts Receivable general ledger account reconciliation and associated supporting documentation</p> <p>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).</p> <p>See also Suggested Test Procedures for AR.1</p>
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)	<p>Deposit tickets (SF-215s), IPAC/GOALS reports supporting cash collection dollar amounts</p> <p>Copy of Treasury Report on Receivables and documentation supporting preparation and contents of the report</p> <p>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).</p>
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)	<p>Deposit tickets (SF-215s), IPAC/GOALS reports supporting cash collection dollar amounts</p> <p>Invoices, collection histories, other supporting documentation supporting an accounts receivable</p> <p>Copy of Treasury Report on Receivables and documentation supporting preparation and contents of the report</p> <p>Schedule of calculation of allowance for uncollectible</p> <p>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.</p> <p>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</p>

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	<p>pay, aging analysis) to compute the allowance are valid.</p> <p>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.</p> <p>See also Suggested Test Procedures for AR.1</p>
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)	<p>Public law demonstrating authority to collect non-exchange revenue</p> <p>Contracts and invoices supporting any direct or indirect costs that have been included in the calculation of customer rates</p> <p>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.</p> <p>See also Suggested Test Procedures for AR.1</p>
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	<p>Tie-point reconciliations</p> <p>Review all tie-point reconciliation variances related to Accounts Receivable and:</p> <ul style="list-style-type: none"> • Determine the root cause of the variance • Execute appropriate corrective actions to resolve the variance • Document executed corrective actions <p>Tie-point reconciliations related to Accounts Receivable should include:</p> <ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> 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> 	<ul style="list-style-type: none"> 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%