

### 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
<ul style="list-style-type: none"> <li>SFFAS No. 5 (and amendments)</li> <li>DoD FMR: Volume 4, Chapter 11; Volume 6B, Chapter 4</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>FMR: Volume 1, Chapter 9</li> </ul>

#### 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
<b>OMB Designated Audit</b>		
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%
<b>Subtotal - OMB Design. Audit</b>	<b>\$ 1,568,399,628,012</b>	<b>68.1%</b>
<b>DoD Designated Audit</b>		
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%
<b>Subtotal - DoD Design. Audit</b>	<b>\$ 731,920,584,548</b>	<b>31.8%</b>
<b>DoD Designated Examination</b>		
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%
<b>Subtotal - DoD Design. Exam</b>	<b>\$ 92,050,010</b>	<b>0.0%</b>
<b>DoD Non-material Reporting Entities</b>		
Other Reporting Entities	1,605,935,213	0.1%
<b>Total</b>	<b>\$ 2,302,018,197,782</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 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
<b>Military Retirement and Other Federal Employment Benefits</b>			
<b>MB.1</b> 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: <ul style="list-style-type: none"> <li>• expenses are summarized correctly and supported by appropriate documentation</li> <li>• changes in actuarial assumptions are approved and documented, and the corresponding gains/losses are calculated correctly</li> <li>• outlays are properly summarized and supported</li> </ul>

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
<b>Military Retirement and Other Federal Employment Benefits</b>			
		trust fund involved in the projection	<p>* The test procedures above should be performed in consultation with an actuarial specialist.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• the journal voucher to record the liability was properly prepared and authorized</li> <li>• the recorded balance agrees to the DoL allocation</li> </ul> <p>For other federal employee benefit liabilities determine whether:</p> <ul style="list-style-type: none"> <li>• recorded amounts are calculated and summarized correctly</li> <li>• recorded amounts are properly supported</li> <li>• assumptions and estimates are documented, reviewed, and approved</li> </ul> <p>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</p>
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)	<p>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)</p> <p>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</p> <p>Schedule(s) detailing calculation of current year expenses</p> <p>Detail listing of factors, data, assumptions, and formulas used to prepare the actuarial calculations for each retirement/benefit trust fund involved in the projection</p>	See Suggested Test Procedures for MB.1

Financial Reporting Risks		Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
<b>Military Retirement and Other Federal Employment Benefits</b>				
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)	<p>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</p> <p>Schedule(s) detailing calculation of current year expenses</p> <p>Detail listing of factors, data, assumptions, and formulas used to prepare the actuarial calculations for each retirement/benefit trust fund involved in the projection</p>	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