

<p style="text-align: center;">SUMMARY OF MAJOR CHANGES TO DOD 7000.14-R, VOLUME 1, CHAPTER 1 “CHIEF FINANCIAL OFFICER (CFO) OF THE DEPARTMENT OF DEFENSE”</p> <p style="text-align: center;">Substantive revisions are denoted by a ★ preceding the section, paragraph, table or figure that includes the revision</p>		
PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
0101	Addition of chapter purpose.	Update
0102	Addition of process for appointing the DoD CFO	Update
0103	Addition of Title 31 Section 902.	Update
010303	Provided link to Volume 1, Chapter 3 and added the Business Transformation Agency role with systems policies.	Update
010306	Provided link to Volume 6B.	Update
010603	Updated responsibilities of DoD staff organizations to include DFAS.	Update
0107	Updated responsibilities of the Heads of DoD Components to include DFAS.	Update
Figure 1-1	Updated organization chart.	Update

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CHAPTER 1

CHIEF FINANCIAL OFFICER (CFO) OF THE DEPARTMENT OF DEFENSE★ 0101 GENERAL

010101. Purpose. This chapter describes the responsibilities of the CFO of the Department of Defense, as established by the CFO Act.

010102. Overview. The CFO/USD(C) is the Principal Staff Assistant and advisor to the Secretary of Defense for budgetary and fiscal matters (including financial management, accounting policy and systems, managers' internal control systems, budget formulation and execution, and contract audit administration and organization) and general management improvement programs. The USD(C) shall manage all functions and responsibilities prescribed in Title 31, U.S.C., sections 902 and 3515. (See Figure 1-1, Chief Financial Officer Structure, page 1-11.)

★ Note: The acronyms CFO and USD(C) are used interchangeably through this document, and no difference in meaning is intended between the two terms.

★ 0102 APPOINTMENT OF CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE

The *Chief Financial Officers Act of 1990*, (hereinafter referred to as the CFO Act), as codified at Title 31 United States Code (U.S.C.) 902, designates DoD as an agency whose CFO is either appointed by the President by and with the advice and consent of the U.S. Senate, or whose CFO is designated by the President in consultation with the head of the agency, from among officials of the agency who are required by law to be so appointed. The Under Secretary of Defense (Comptroller) (USD(C)), who is appointed by the President and confirmed by the U.S. Senate, is the CFO of DoD.

★ 0103 AUTHORITIES AND FUNCTIONS

The USD(C) is charged with the responsibility of developing and implementing DoD-wide financial management systems and overseeing financial management activities relating to the CFO programs and operations of the DoD. In that capacity, and consistent with the CFO Act of 1990, the following authorities and functions are assigned to the USD(C):

010301. Reporting. Report directly to the Secretary of Defense regarding financial management matters.

010302. Oversight. Oversee all financial management activities relating to the programs and operations of the DoD. To carry out this responsibility, the USD(C) has the authority to:

- A. Establish financial management policies for the DoD including its component parts.
- B. Ensure compliance throughout the DoD with applicable accounting policy, standards and principles, as well as financial information and systems functional standards.
- C. Establish, review and enforce internal control policies, standards and compliance guidelines involving financial management.
- D. Provide oversight of financial management activities and operations including (a) preparation and annual revision of [the Financial Improvement and Audit Readiness \(FIAR\) plan](#), and (b) development of financial management budgets.
- E. Ensure adequate controls over real property, equipment and inventories.
- F. Ensure [complete, reliable, consistent](#), timely and accurate information on disbursements is available in financial management systems.

★ 010303. Financial Management Systems. Develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls, [and inform the Business Transformation Agency as to the adequacy of their actions where applicable on systems transformation](#). Refer to [Chapter 3](#) of this volume for [Financial Management Systems requirements](#). Ensure system:

- A. Complies with applicable accounting principles, standards and requirements, and internal control standards;
- B. Complies with such policies and requirements as may be prescribed by the Director of OMB;
- C. Complies with any other requirements applicable to such systems; and
- D. Provides for:
 - 1. Complete, reliable, consistent and timely information which is prepared on a uniform basis and which is responsive to the financial information needs of DoD management;
 - 2. The development and reporting of cost information;
 - 3. The integration of accounting and budgeting information; and

4. The systematic measurement of performance.

010304. Recommendations. Make recommendations to the Secretary of Defense regarding the selection of the Deputy CFO, DoD.

010305. Management. Direct, manage and provide policy guidance and oversight of DoD financial management activities, personnel, and operations, including:

A. The preparation and annual revision of a DoD plan to implement the 5-year financial management plan prepared by the Director of [the Office of Management and Budget \(OMB\)](#), and to comply with the audited financial statements provisions of the CFO Act of 1990.

B. The development of DoD financial management budgets.

C. The recruitment, selection and training of personnel to carry out DoD financial management functions.

D. The approval and management of DoD financial management systems design or enhancement projects.

E. The implementation of DoD asset management systems, including systems for cash management, credit management, debt collection and property inventory management and control.

F. To direct, manage and provide policy guidance and oversight, the USD(C), has authority:

1. To manage directly, and/or monitor, evaluate and approve, the design, budget, development, implementation, operation and enhancement of DoD-wide accounting, financial and asset management systems.

2. To coordinate on the design for other information systems that provide, at least in part, financial and/or program performance data used in [budget development and](#) financial statements, to ensure that USD(C) needs are met.

3. To ensure that program information systems provide financial and programmatic data (including program performance measures) on a reliable, consistent and timely basis to DoD financial management systems.

4. To evaluate, where appropriate, the installation and operation of such systems.

★ 010306. Performance and Accountability Report (PAR). As required by OMB Circular A-136, activities must prepare and transmit an annual report to the Secretary of Defense and the Director of the Office of Management and Budget, which shall include:

- A. A description and analysis of the status of financial management within the Department;
- B. Annual financial statements;
- C. Audit reports submitted to the Secretary of Defense addressing financial statements;
- D. A summary of reports on the internal accounting and administrative control systems submitted under the Federal Managers' Financial Integrity Act; and
- E. Other information the Secretary of Defense considers appropriate to fully inform the President and the Congress concerning the financial management of the DoD.

Note: OMB established a pilot in FY 2007 allowing agencies to choose to produce an alternative to the consolidated PAR. For information on the preparation requirements of this report, see Volume 6B of this Regulation.

010307. Budget Execution. Monitor the financial execution of the DoD budget in relation to actual expenditures, and prepare and submit to the Secretary of Defense timely performance reports. To enable the USD(C), to prepare and submit timely performance reports, the USD(C) has authority to:

- A. Mandate DoD-wide data and reporting format requirements.
- B. Review and approve financial reports and statements prepared by DoD components for transmittal to the Secretary of Defense, OMB, the President, the Congress or external groups.
- C. Prepare consolidated and/or combined financial statements and work with the Inspector General, DoD and other auditors to improve the statements' independent review and auditability.
- D. Develop, in coordination with program managers, financial and programmatic performance indicators for inclusion in financial systems and financial reports and statements.
- E. Ensure that data included in financial reporting (including program performance measures) is auditable.

F. Advise program managers on financial management matters when requested.

010208. Biennial Review. Review, on a biennial basis, the fees, royalties, rents and other charges imposed by the Department for services and things of value it provides, and make recommendations on revising those charges to reflect costs incurred in providing those services and things of value.

0104 CHIEF FINANCIAL OFFICERS COUNCIL

The DoD CFO is a member of the Chief Financial Officers Council (CFOC) consisting of the Deputy Director for Management of OMB, the Controller of the Office of Federal Financial Management of OMB, the Fiscal Assistant Secretary of the Treasury and agency CFOs. The CFOC meets periodically to advise and coordinate the activities of its agency members on such matters as consolidation and modernization of financial systems, improved quality of financial information, financial data and information standards, internal controls, legislation affecting financial operations and organizations, and other financial management matters.

0105 DEPUTY CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE

The CFO Act requires that each of the specified agencies shall have a Deputy CFO who shall report directly to the Agency CFO on financial management matters. The position of Deputy CFO shall be a career-reserved position in the Senior Executive Service. Consistent with qualifications standards developed by, and in consultation with, the Agency CFO and the Director of OMB, each Agency head shall appoint as Deputy CFO an individual with demonstrated ability and experience in accounting, budget execution, financial and management analysis, systems development, and not less than 6 years practical experience in financial management at large governmental entities.

★ 0106 DOD STAFF ORGANIZATIONS RESPONSIBLE FOR IMPLEMENTING CFO FUNCTIONAL REQUIREMENTS

010601. The Deputy Comptroller (Program/Budget) is responsible for overseeing and implementing budgetary functions within the DoD on a day-to-day basis.

A. The Directorate for Program and Financial Control is responsible for budget review tracking, the submission of the automated defense budget for the President's budget, maintenance of the budget data bases, apportionment of funds, reprogramming and transfer of funds, obligation and outlay forecasting and tracking, budget concepts and scorekeeping, and information system support.

B. The Directorate for Investment is responsible for advising the Deputy Comptroller (Program/Budget) on all matters pertaining to: Procurement, Research,

Development, Test, and Evaluation; the National Foreign Intelligence Program; and for the Defense Acquisition Board program.

C. The Directorate for Military Personnel and Construction is responsible for advising the Deputy Comptroller (Program/Budget) on all matters pertaining to operating and maintaining the U.S. military force structure to include active, reserve, and retired military; Defense Health Program; military construction; family housing; homeowners assistance; North Atlantic Treaty Organization infrastructure; Base Realignment and Closure; and Real Property Maintenance.

D. The Directorate for Operations is responsible for advising the Deputy Comptroller (Program/Budget) on all matters pertaining to operating and maintaining the U.S. military force structure to include active and reserve military personnel and civilian personnel.

E. The Directorate for Revolving Funds is responsible for advising the Deputy Comptroller (Program/Budget) on all matters pertaining to Defense-wide Working Capital Funds, the Pentagon Reservation Maintenance Revolving Fund, the Building Maintenance Fund, the Conventional Ammunition Working Capital Fund, the National Defense Stockpile Transaction Fund, and the Military Services' Management and Trust Funds.

010602. The Deputy CFO is responsible for overseeing and implementing accounting policy, improvements in financial management, as well as other financial management functions for the DoD on a day-to-day basis.

A. The Directorate for Accounting and Finance Policy is responsible for developing, publishing, implementing, and interpreting DoD-wide accounting and finance policies; providing direct support to the USD(C) and Deputy CFO on various interagency forums; advocates for the USD(C) on various interagency organizations and representing the USD(C) on various internal DoD councils, boards and committees pertaining to policy; and providing oversight of, and performing liaison functions with, the DoD Components with respect to financial management operations, systems, responses to audit reports, policy clarifications, and other matters related to financial management; and administering the 15-volume DoD Financial Management Regulation.

B. The Directorate for Financial Improvement and Audit Readiness is responsible for oversight, management, performing liaison functions and partnering with the DoD Components on the Financial Improvement and Audit Readiness Plan, which identifies financial process, system and statement deficiencies and provides detailed corrective actions to address those deficiencies; implementation of the Federal Manager's Financial Integrity Act program for the DoD, to include Management's Responsibility for Internal Control (OMB Circular A-123, Appendix A) for the Secretary of Defense; management of the Improving Financial Performance initiative of the President's Management Agenda; and advocates for the USD(C) on various interagency forums and internal DoD councils, boards, and committees pertaining to audit readiness.

C. The Directorate for Financial Reporting and Analysis is responsible for financial reporting for the Department. These responsibilities include preparation of the Department's Annual Report (Performance and Accountability Report). In addition, the Directorate maintains oversight of other significant financial reporting requirements such as the Report on Reliability, the Statement of Accountability, and Management Representation Letters; advocates for the CFO on interagency organizations and committees, various internal DoD councils, boards and committees pertaining to financial reporting; provides oversight of, and performs liaison functions with, the DoD Components with respect to financial management operations, systems, and other matters related to financial management; and develops and maintains Departmental financial performance metrics and associated automated tools, facilitates the development and operation of government-wide financial indicators.

★ 010603 The Director, Defense Finance and Accounting Service (DFAS) is the principal DoD executive for finance and accounting requirements, systems, and functions under the authority and direction of the USD(C). In accordance with DoDD 5118.03, "Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense," and DoDD 5118.5, "Defense Finance and Accounting Service," the Director, DFAS shall:

A. Direct finance and accounting requirements, systems, and functions for all appropriated, nonappropriated, working capital, revolving, and trust fund activities, including security assistance.

B. Establish and enforce requirements, principles, standards, systems, procedures, and practices necessary to comply with finance and accounting statutory and regulatory requirements applicable to the Department of Defense.

C. Provide professional finance and accounting services for DoD Components and other Federal agencies.

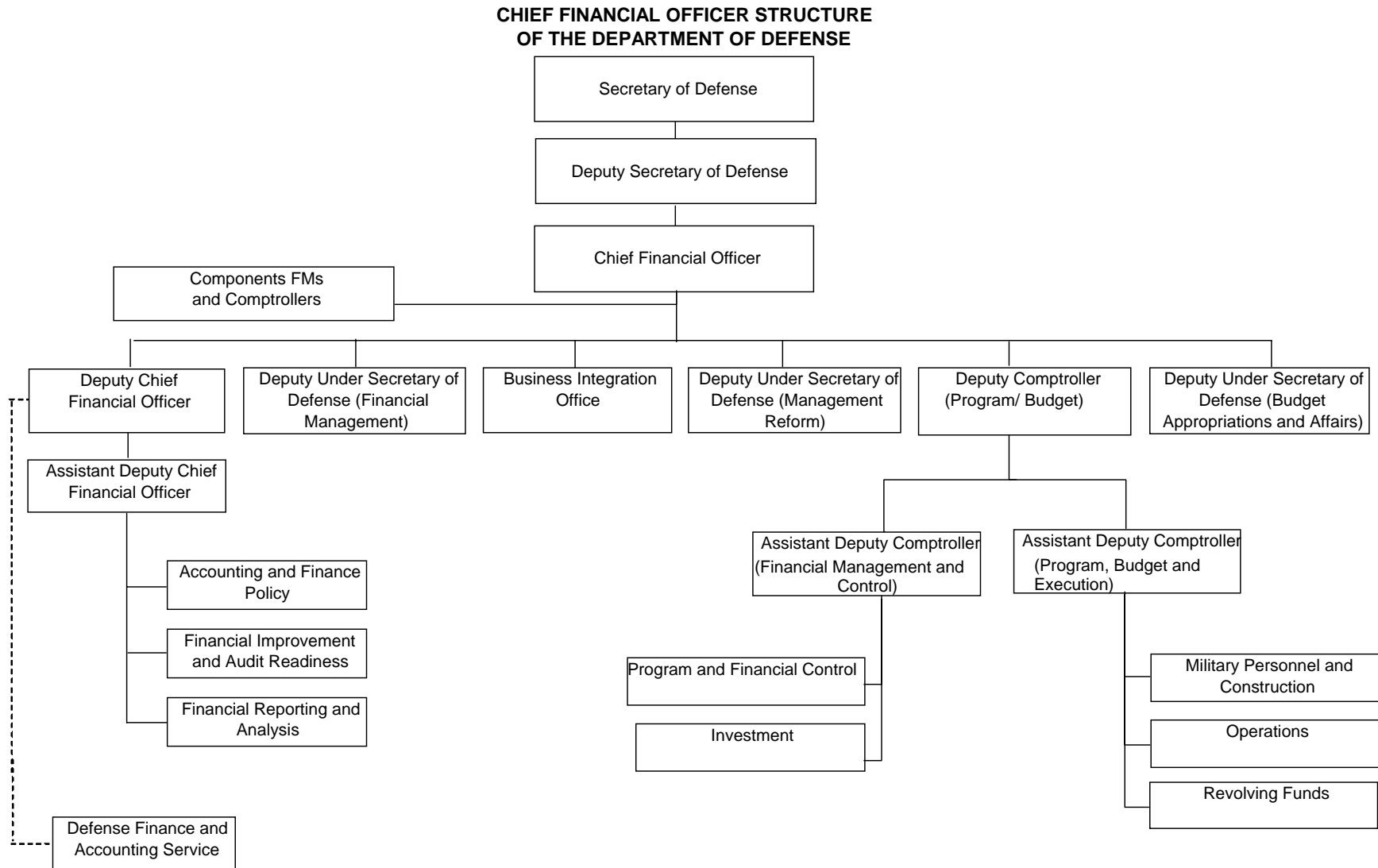
D. Direct the consolidation, standardization, and integration of finance and accounting requirements, functions, procedures, operations, and systems and ensure their proper relationship with other DoD functional areas (e.g., budget, personnel, logistics, acquisition, civil engineering, etc.)

E. Execute statutory and regulatory financial reporting requirements and render financial statements.

F. Approve the establishment or maintenance of all finance and accounting activities independent of DFAS.

★ 0107 RESPONSIBILITIES OF THE HEADS OF DoD COMPONENTS FOR IMPLEMENTING CFO FUNCTIONAL REQUIREMENTS

The Heads of the DoD Components shall direct and manage financial management activities within their respective Components, consistent with the policies, requirements, principles, standards, procedures, and practices prescribed by the CFO and DFAS, and other policies as prescribed by the Heads of the other DoD Components.



★ Figure 1-1