

**VOLUME 6A, CHAPTER 2: “FINANCIAL ROLES AND RESPONSIBILITIES”****SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an \* symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated November 2008 is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
020102	Clarified applicability in Enterprise Resource Planning (ERP) environments.	Add
020201	Clarified roles, internal controls and responsibilities.	Add
020202	Clarified details of internal controls responsibilities.	Add
020207	Clarified the requirement for documentation of current period adjustments.	Add
020208	Revised guidance on delegation of journal voucher (JV) approval and review. Implemented new internal controls.	Add
020210	Updated certification guidance.	Add
Multiple.	Added hyperlinks.	Add

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## CHAPTER 2

**FINANCIAL REPORTS ROLES AND RESPONSIBILITIES**

## 0201 OVERVIEW

## 020101. Purpose

This chapter defines the roles and responsibilities in the preparation and issuance of financial reports for Department of Defense (DoD) Components. DoD Components and the Defense Finance and Accounting Service (DFAS) are responsible for the proper and consistent preparation of financial reports at the DoD Component departmental, intermediate, and installation level. In some instances, DoD Components prepare their own financial reports without accounting support from DFAS. Ultimately, each DoD Component is responsible for the accuracy and completeness of financial information in the reports which present the financial effects of its operations.

## \*020102. Scope

These policies apply to **all** DoD Components, **including those entities** whose departmental, intermediate, and installation level financial reports are prepared by DFAS, **DoD Components and organizations operating Enterprise Resource Planning (ERP) systems under an approved Memorandum of Understanding with DFAS, certain DoD Components which** prepare their own financial reports (e.g., the Army Corps of Engineers), and certain organizations required by **security considerations** to perform their own accounting. **In those instances in which DFAS does not have financial report-preparation responsibility, the reporting entity shall fulfill the responsibilities assigned in this chapter at both the DFAS and DoD Component level.** This chapter does not include the requirements for the audited or interim financial statements addressed within **Office of Management and Budget (OMB) Circular A-136** and in Volume 6B of this Regulation. **At the point ERP systems demonstrate full functionality in the target-environment, assigned roles and responsibilities described in this chapter may be reassigned by the appropriate DoD authority.**

## 0202 RESPONSIBILITIES

## \*020201. Stewardship and General Responsibilities

The U.S. Congress provides resources to finance the programs, missions, and functions of DoD and its Components. Financial reports are a tool to display the status and uses of those resources. DoD Components and DFAS have responsibilities to ensure that financial reports are accurate and timely in order for managers to make sound decisions and exercise proper stewardship over these resources.

A. The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)). OUSD(C) is responsible for the development and approval of DoD policy on financial reports and

oversight of the issuance and implementation of such policy. This responsibility includes determination of policies governing:

1. Division of responsibilities between DoD Components and DFAS.
2. Establishment of internal controls and audit trails required for the preparation of financial reports and the processing of associated transactions.
3. Reconciliation of subsidiary records with financial balances.
4. Establishment and approval of schedules required to meet financial reporting requirements and deadlines.
5. Approval and adjustment of draft annual reports as well as adjudication of adjustments and other issues where there is a disagreement between the DoD Component and DFAS.
6. Types and levels of adjustments that DFAS is authorized to make without the specific prior approval of DoD Components.
7. Types of acceptable documentation required to support adjustments to the official accounting records.
8. Preparation, approval, and review of journal vouchers (JV).
9. Release of reports.
10. Requirements for certifications.

B. DoD Components. DoD Components are responsible for:

1. Ensuring the accuracy, completeness, timeliness, and documentary support for all data generated and input into finance and accounting systems or submitted to DFAS for input and/or recording in the finance and accounting systems and inclusion in financial reports. Documentary support includes compliance with records management and retention policies described elsewhere in this chapter, in Volume 5, Chapter 15, “Disbursing Officer Accountability Reports,” in Volume 1, Chapter 9, “Financial Records Retention,” and in Volume 15, Chapter 6, “Security Assistance Case Files.”
2. Establishing, maintaining, and reviewing appropriate internal controls.
3. Reviewing all reports provided by DFAS to assess the accuracy of the financial information being reported. The applicable appropriation manager(s) should be involved in such reviews for financial reports prepared at or below the appropriation level.

4. Performing program and management analyses on the information contained in the financial reports.

5. Identifying any conditions in the financial reports that indicate either a potential or an apparent violation of the Antideficiency Act and initiating an investigation in accordance with Volume 14 of this Regulation.

6. [Complying with relevant guidance in this chapter in instances where DFAS responsibilities listed below have been formally delegated to the Component level.](#)

C. DFAS. The Director of DFAS shall establish procedures to ensure that:

1. Data provided by the DoD Component (including data input into finance and accounting systems by the DoD Component) is recorded accurately and [timely in accordance with established standards](#), and processed in the finance and accounting systems. DFAS shall perform designated disbursing and accounting operations on behalf of the DoD Component and record the results of those operations in a timely and accurate manner. Documentary support and audit trails will be maintained, including compliance with records management and retention policies described elsewhere in this chapter, in Volume 5, Chapter 15, “Disbursing Officer [Accountability Reports](#),” in Volume 1, Chapter 9, “Financial Records Retention,” and in Volume 15, Chapter 6, “Security Assistance Case Files.”

2. The process for preparing financial reports is consistent, timely, auditable, and controls are in place to provide for the accuracy of the reports.

3. Repetitive financial reports are consistent and prepared in the same manner by use of the same procedures, practices, and systems. It is not intended that the introduction of improvements to these policies, procedures, and systems will be prohibited or limited.

4. Reports are edited and validated for accuracy and consistency between reports from the same source and between reports of prior period(s) and the current period.

5. Classified financial information is properly safeguarded.

\*020202. Internal Controls

A. DoD Components. DoD Components shall establish appropriate internal controls to ensure that data [processed in component-controlled systems](#) or provided to DFAS to be recorded in the accounting systems and subsequently used in financial reports is accurate, complete, supportable, and processed timely into the finance and accounting systems. DoD Components shall maintain or create controls to ensure that:

1. [For financial transactions submitted to DFAS](#), tools [exist](#) to identify and track the numbers, types, and dollar amounts of transactions submitted.

2. All transactions are edited to assure accuracy, e.g., the transaction is identified correctly in terms of the type of transaction, reported quantity, and the dollar amount(s). These edits include compliance with standardized General Ledger transactions sets found in the [USSGL Transaction Library](#).

3. Transactions that have occurred during a reporting period are uniquely identified with the reporting period and transmitted to DFAS in adequate time for processing to meet the reporting schedule due dates. The last day of the reporting period and the final due date for transactions may be established for a date(s) other than the last day of each month, quarter, or fiscal year when agreed upon between DFAS and the DoD Component and approved by OUSD(C).

4. Draft reports provided by DFAS for review, certification, or approval are returned to DFAS, with proposed adjustments, for verification with official accounting records by the pre-established due dates so the preparation and submission of the final reports is not delayed.

5. The Defense Working Capital Fund Accounting Report (AR (M) 1307) is validated and approved by the DoD Component each month. Guidance concerning the general preparation of this report is contained in Volume 6A, Chapter 15 of this Regulation.

6. Actual or potential Antideficiency Act violations are reported, reviewed, and investigated in accordance with Volume 14 of this Regulation.

B. DFAS. DFAS shall establish internal controls to ensure that data provided by each DoD Component is recorded accurately and processed timely into the finance and accounting systems. DFAS shall maintain or create controls to ensure that:

1. All transactions and trial balances are processed correctly. These controls should include tools to identify and track numbers, types, and dollar amounts of the transactions received and generated by DFAS.

2. All transactions generated are edited to assure accuracy, e.g., that the transaction is identified correctly in terms of the type of transaction, reported quantity, and dollar amount.

3. Specific edits are applied by type of transaction in each finance or accounting system [operated by DFAS](#). Transactions that fail to pass edits shall be assigned for research and correction by DFAS or the DoD Component. Every effort should be made to resolve any discrepancies prior to the end of the reporting period. Examples of input transactions that may require research by the DoD Component include, but are not limited to:

a. [Personnel transactions inputting data to the payroll system](#) that exclude data essential to pay employees.

b. **O**bligation transactions as a result of contracts or purchase orders that exclude data essential for recording the transactions in accounting or payment systems.

c. **R**eceipt and acceptance transactions that exclude data essential for recording the transactions in accounting or payment systems.

d. **D**isbursements that do not match obligations or receipts because of missing program data.

4. Transactions that occur during a reporting period are uniquely identified with the reporting period and processed in order to meet the reporting schedule due dates.

5. The preparation of all financial reports is consistent from one reporting period to another reporting period and the same financial information is used as the source for different reports whenever the same information is reported.

6. Ending balances for one reporting period will be perpetuated as the beginning balances for the subsequent reporting period and shall be carried forward without change.

7. Reports prepared are supportable, reliable, and accurate. These controls include tools to ensure that:

a. **A**ll transactions applicable to the effective period of the report have been edited and posted to the official accounting records.

b. **P**roposed adjustments to a previously issued report are edited, validated, documented, and posted to the official accounting records.

c. **R**eported amounts are verified to the amounts contained in the official accounting records.

d. **R**eport lines have the proper sign (positive or negative).

e. **M**athematical calculations on each report are validated.

f. **I**dentified relationships between amounts on report lines within a report and from one report to another report are checked and validated.

g. **C**urrent reports are compared to prior reports and checks are made to identify significant errors, omissions, and distortions.

h. **A**pplicable corrections are made to the reports before release to the recipients.

8. Actual or potential Antideficiency Act violations are reported to DoD Components for their review and investigation in accordance with Volume 14 of this Regulation.

020203. Audit Trails

A. DoD Components. DoD Components shall ensure that audit trails are maintained in sufficient detail to permit tracing of transactions and balances from their sources to amounts reported in their ERP systems or to the amounts reported in their transmission to DFAS. Audit trails are necessary to demonstrate the accuracy, completeness, and timeliness of a transaction. In addition, audit trails provide documentary support for all data generated by the DoD Component in their ERP system or submitted to DFAS.

B. DFAS. DFAS shall ensure that a complete and documented audit trail is maintained to support the reports it prepares. Supporting documents or images of the supporting documents should be retained by the organization that translates the information into an electronic mode. Internal controls shall be in place to ensure that the transactions are:

1. Edited for accuracy and completeness.
2. Controlled from unauthorized access and use.
3. Identified, tracked, and controlled to ensure that the numbers, types, and dollar amounts are complete.
4. Authorized and approved by duly designated officials.

020204. Reconciliation

Many financial balances (e.g., general ledger proprietary and budgetary accounts, such as assets, liabilities, commitments, and undelivered orders) require supporting subsidiary records to validate the amount of the financial balance. Such subsidiary records shall be reconciled to financial balances in accordance with the policies, requirements, and frequencies prescribed in this Regulation.

A. DoD Components

1. DoD Components maintain the supporting records for many financial balances and are outside the control of DFAS. The accuracy of such subsidiary records shall be validated periodically, on a sample or other authorized basis, against applicable physical assets or other appropriate confirmations of the source documents.

a. Periodic counting or other physical verification is required by various regulations in the case of equipment, inventories, supplies and materials, and real property depending upon the nature of the asset.

b. Periodic validation is required in the case of commitments, obligations, and accounts payable. These validations shall include the review of the documentary evidence that initiated the financial transaction to ensure integrity of the source data.

2. Changes in the source data shall be documented and recorded in a Component's ERP system or transmitted to DFAS for proper recording.

B. DFAS

1. DFAS shall establish procedures to ensure that all general ledger balances and other associated financial balances which require supporting subsidiary records are reconciled in accordance with DoD policy, when specifically required by OUSD(C), with the amounts contained in the supporting records, including original source data. See Volume 3, Chapter 8, Section 0804 of this regulation.

a. Many of the supporting subsidiary records for the financial balance amounts are established and maintained by DFAS. DoD Components shall participate in the reconciliation process for these subsidiary records when the original source documents or transactions that require research to complete the reconciliation are retained by the DoD Component.

b. When subsidiary records are maintained by the DoD Component, DFAS shall establish a reconciliation schedule, mutually agreed to by the DoD Component and subject to approval by the OUSD(C), to reconcile the subsidiary records with the financial balance. The reconciliation of such supporting records with the financial balance is a joint responsibility of DFAS and the DoD Component.

2. Unreconciled differences shall be investigated in accordance with applicable provisions of this Regulation and appropriate adjustments documented and processed to balance the general ledger amount with the amount of the subsidiary records.

3. When unreconcilable differences between the general ledger and the subsidiary ledger records exceed \$1 million, reconciliations shall be performed on a monthly basis in order to determine the cause of the differences and to take appropriate corrective actions to ensure the accuracy and integrity of the accounting system and monthly reports.

020205. Reporting Schedules

A. DFAS shall establish procedures requiring joint development of report preparation schedules with DoD Components. The purpose of these schedules is to meet the reporting due dates consistent with the policies in this chapter.

B. Reporting schedules for reports being provided to external recipients shall include the opportunity to present a draft of the report to the DoD Component for review and approval prior to release to the recipients.

C. Reporting schedules for DoD departmental level reporting entities shall be submitted by DFAS to OUSD(C) for approval.

020206. Draft Reports

A. DoD Components. DoD Components shall review reports developed in their ERP systems or provided by DFAS to assess the accuracy of the financial information being reported. The review should attempt to identify errors, omissions, and significant diversions from budgeted or planned amounts and levels of activity. The DoD Component shall:

1. Research and propose adjustments to correct, as appropriate, abnormal account balances, such as negative balances or unusual amounts.

2. Research any unusual trends and comparisons with prior year and/or prior period amounts to determine whether corrective action is required.

3. Ensure that the amounts in financial reports are consistent and reconcilable with the same financial data included in management reports prepared by the DoD Component.

4. Not make changes to draft reports provided by DFAS or release the reports to external recipients. To do so will result in the official accounting records being unreconcilable to such reports and the reports will not be supported fully with documented audit trails for all of the transactions impacting the reports. When errors or omissions are identified in a draft report, DFAS will be requested to revise the report and include the changes in the final report.

5. DoD Components shall validate reports created within their ERP systems. DoD Components shall perform quality reviews to confirm that:

a. Amounts on the report are mathematically correct.

b. Internal relationships of amounts included in a report that are interdependent are proven to be correct.

c. Abnormal account balances, such as negative balances or unusual amounts, are researched and resolved, if possible.

d. Unusual trends and comparison with prior year and/or prior year amounts are identified and researched.

B. DFAS. DFAS shall validate reports to ensure that the reported amounts agree with the official accounting records prior to release to DoD Components for review and approval or release to external recipients. DFAS shall perform quality reviews to confirm that:

1. Amounts on the report are mathematically correct.

2. Internal relationships of amounts included in a report that are interdependent are proven to be correct.

3. Abnormal account balances, such as negative balances or unusual amounts, are researched and resolved, if possible.

4. Reported amounts for the same data elements for the same report period are consistent across all similar financial reports.

5. Unusual trends and comparisons with prior year and/or prior period amounts are identified and called to the attention of the customer for appropriate action or analysis by the customer.

C. OUSD(C). DoD Component-proposed changes to the draft reports, with which DFAS does not concur, shall be referred to OUSD(C) for adjudication within 15 calendar days after DFAS indicates that it will not make the changes. Requests for adjudication may be submitted by either the DoD Component or DFAS.

\*020207. Current Period Adjustments

A. Current period adjustments are required for several reasons, including instances when subsidiary records do not reconcile with the financial balances, transactions need correction, and adjustments are required to align obligations, accruals, or expenses with the liquidation amounts for receipts, acceptances, and/or disbursements.

B. The need to make adjustments may be identified by either DFAS or by DoD Components and shall be supported by written documentation which is sufficiently detailed to provide an audit trail to the source transaction(s) that require the adjustments. This documentation shall include the rationale and justification for the adjustment, detailed numbers, and dollar amount of errors or conditions related to the transaction(s) or record(s) that are proposed for adjustment, date of the adjustment, and name and position of the individual approving the adjustment. [The documentation must be readily available and complete in hardcopy, systemically-stored electronic records or a combination.](#)

1. DoD Components. When, during an applicable reporting period, a DoD Component identifies an adjustment pertaining to information included in a monthly, quarterly, semiannual, or annual report, the adjustment need not be reported separately, but shall be made and reflected in the information included in the applicable report.

2. DFAS. When DFAS identifies an adjustment that needs to be made to the official accounting records of a DoD Component, the proposed adjustment shall be referred to the DoD Component who shall review and approve the adjustment, except as provided in the following paragraphs.

a. When DFAS makes an adjustment to correct errors made by DFAS in the preparation of a report, e.g., calculation errors and similar mistakes, they may be

corrected by DFAS without referral to the affected DoD Component. Examples of corrections which may be made by DFAS without referral to a DoD Component are:

(1) Adjustments to correct systems processing deficiencies.

(2) Adjustments to correct an error made by DFAS in processing a transaction or a previous adjustment.

(3) Adjustments to correct a financial balance to equal the sum of subsidiary records.

(4) Adjustments to align funding, obligation, accrual, or expense amounts with the liquidation amount for receipts, acceptances, and/or disbursements when such adjustments are required by applicable supporting information.

b. DFAS shall notify DoD Components at least once each month of the reports impacted, total amounts, types, and categories of reasons for adjustments made without referral to the DoD Component under circumstances specified in the preceding paragraph. Corrected reports shall be provided if applicable. The DoD Component shall keep an adequate record of all such notifications.

\*020208. Journal Voucher (JV) Preparation

A. General. Proper preparation of and adequate support for JVs is important to ensure they accurately record [accounting-](#), [financial-](#) or other [General Ledger-related](#) events and that documentation for a detailed audit trail exists. [JVs are used to process monthly, quarterly, and annual adjustments to unadjusted General Ledger \(GL\) account balances in field and higher level accounting and reporting systems. The unadjusted GL balances are summaries of transaction data reported through various level financial reporting systems to record specific homogeneous types of transactions and balances that aggregate to specific classifications on the financial statements. Any adjustments made in any reporting systems or through offline manual processes in report preparation are classified as JV adjustments. However, JVs are not used to establish or adjust amounts recorded in subsidiary ledgers. An Optional Form 1017-G \(Journal Voucher\) or other agency-approved form is used to effect expenditure withdrawals and credits or adjustments within appropriation, fund, or receipt accounts. JVs are used for manual adjustments that affect a General Ledger Account Code or line of accounting reported at the Treasury level which are not processed as a Standard Form \(SF\) 1080 \(Voucher for Transfers Between Appropriations and/or Funds\) or SF 1081 \(Voucher and Schedule of Withdrawal and Credits\) and do not affect Treasury \[expenditure\]\(#\) reporting. Proper preparation of, and adequate support for, JVs is the responsibility of DFAS and DoD Components. \[Memorandum-style entries to the General Ledger affecting neither Treasury-level reporting nor subordinate records are not considered JVs for the purposes of this chapter. Organizations must be diligent to minimize the quantity of such entries and must be able to clearly demonstrate appropriate control processes.\]\(#\)](#)

B. Appropriate Uses of Journal Vouchers. JVs shall have the following primary uses within DoD:

1. Correcting Entries. Correcting entry JVs adjust for errors identified during the reports review process. This type of accounting entry includes specific amounts, accounts, and/or transactions related to the required correction. In some cases, correcting entries are required to adjust for errors on previously prepared JVs. In those instances, correcting entries should both reverse the effect of incorrect entries and record the correct amount. In some cases, both entries can be made with one JV and a single set of supporting documentation. Regardless of whether a single journal voucher or multiple JVs are prepared, the correcting JV shall include a copy of the original JV, documentation supporting the correct amount, and a narrative explanation regarding how it is known that the original entry is incorrect and why the correcting entry is accurate/more accurate.

2. Source Entries. Source entry JVs record those accounting entries that, due to system limitations or timing differences, have not been otherwise recorded. By nature, source entry JVs are usually summarized at the entity level by general ledger account. The source entry accounting transaction shall be supported by documentation for the summarized amounts and identify the location of the transaction-level supporting detail. Source entry JVs generally are used for month-end closing and year-end processing and closing purposes and also may include postings of information provided through data calls, such as those required to record values for property, plant, and equipment recognition.

3. Summarized Entries. Both correcting and source entry JVs will normally be summarized (net) amounts for which documentation is required. In these situations, the summarized accounting entry represents the amount to record the effect of the detailed transactions. In all such cases, the summarized accounting entry shall include documentation of the effect of the detailed transactions and identify the location of the transaction level supporting detail.

4. Subcategories. Correcting and source entry JVs are further separated into the following two subcategories:

a. Audit Recommended Journal Vouchers. When auditors recommend that a JV adjustment be made, the proper authoritative source (see Paragraph 020207) shall perform an analysis of the recommendation using the auditors' workpapers and other relevant information to determine if the recommended adjustments should then be made. Any decision resulting in a determination either that a JV should be prepared or that a JV should not be prepared shall: (1) document why the adjustment is, or is not, required; (2) indicate how the duly authorized official determined that the audit recommendation should, or should not, be followed; and (3) identify the audit recommendation serving as the basis for the actions taken.

b. Component Requested Journal Vouchers. When a DoD Component requests an adjustment that complies with this Regulation, a correcting JV shall be prepared. In addition, the JV shall document why the adjustment is required, indicate how the duly authorized official determined that the entries included on the JV are correct, and identify

the customer's request serving as the basis for the adjustment. Supporting detailed records and any related analysis shall be maintained by the DoD Component. A request for a JV entry that is not properly authorized or supported by accurate or proper documentation shall be returned to the JV initiator with an indication of what additional information is required to process it, along with any applicable authoritative guidance.

C. Internal Controls. Operational internal controls in accordance with OMB Circular A-123 shall be in place to ensure the JVs are recorded properly. These controls shall be in place whether JVs are prepared manually or generated by an automated system.

1. JVs may be prepared at the installation or departmental level and shall be:

a. Sequentially numbered by reporting unit and reflected in a JV log to maintain the integrity of JV entries.

b. Categorized by each of the applicable categories listed in paragraph 020208.D.

c. Reviewed to ensure proper recording to posting accounts.

d. Adequately documented to support the validity and the amount of the JV transaction.

e. Authorized, approved and documented at the appropriate level of management or designee. The organizational level within accounting centers, accounting stations, finance offices, and other accounting locations at which JVs shall be approved varies by the dollar amount of the voucher, as shown in Table 2-1. The dollar amount for each JV is defined as the sum of the debit entries on that voucher. Within each of the listed thresholds, other approval thresholds with lower dollar values than those specified in Table 2-1 may be established to accommodate the organizational level of those preparing the JV. In addition, all DFAS-prepared JVs over \$1 billion shall be coordinated with the affected DoD Component. Approving officials may delegate their authority in writing to lower-level supervisors or other duly authorized officials with sufficient knowledge of the accounting matters addressed by the JV. The delegation does not relieve approving officials of their responsibilities as outlined in this chapter. See additional guidance in paragraph 020208.C.2.

Table 2-1

Threshold	Dollar Amount	Approving Official Supporting the Reporting Entity
1	Under \$100 Million	Branch Chief
2	\$100-\$500 Million	Supervisor of Branch Chief
3	Over \$500 Million-\$1 Billion	Director for Accounting or Finance
4	Over \$1 Billion	Director

f. Processed under procedures which ensure that the duties for preparing, documenting, submitting, approving, and entering or posting are separated to the maximum extent possible. The preparer and approver cannot be the same person.

g. Annotated with the name, title, and office symbol of both the preparer and the approver. In an electronic environment, the name, title, and office symbol may be represented by user identification (user ID).

h. Maintained in a central location in a hard copy, in an electronic form, or a combination if there was a manual approval of an automated system JV. All JVs must be documented, approved by the appropriate level, readily available and in compliance with published guidance.

i. Retained in accordance with records retention guidance contained in Volume 1, Chapter 9 of this Regulation.

2. Adequate managerial internal controls shall be maintained at each level of management as directed in OMB Circular A-123 to ensure there is proper oversight of JV preparation. As a minimum, such managerial internal controls shall entail the following:

a. Within 10 workdays after the DFAS accounting centers' issuance of quarterly financial statements for first through third quarter, approving officials, at the levels of authority designated in Table 2-1, must perform and document a high-level integrity review of all JVs for which they delegated approval authority. Integrity reviewers are required to review each delegated JV for compliance with the terms of the delegation, but are not required to review all documentation supporting the JV (refer to paragraph 020208.C.1.e.). A fourth quarter review must take place prior to submission of the Annual Financial Statements to OMB (no later than November 15).

b. A quarterly quality and compliance review, within 30 days after submission of quarterly reports to OUSD(C), by the DFAS Director for Accounting (or designee). This quality review will be made on a random sample of all JVs under \$500 million to determine that JVs are correctly prepared and processed, adequately described and supported, and approved at the proper managerial level within the limitations set forth in paragraph 020208.C.2.a. Similar procedures should be performed on ERP-generated JVs.

(1) An error threshold will be established and the random sample expanded and repeated as necessary.

(2) Identified errors will be corrected and notification will be made to the affected Component as necessary. If errors materially impacted the financial statements, consideration will be given to the need to restate/reissue the financial statements.

c. An assessment by the internal review office of its organization's JV processing procedures, in accordance with OMB Circular A-123. The

necessity and importance of independent reviews is also discussed in Volume 1, Chapter 3 of this Regulation.

D. Documentation. Proper documentation, in hard copy, electronic form or a combination of both is necessary to support all **JV** entries. This documentation shall contain sufficient information for the approving official and others, such as auditors, to clearly understand the reason for preparing the **JV**, determine it is proper and accurate, and identify whether the **JV** entries are supported or unsupported by subsidiary records. Information shall include applicable criteria to support the rationale for preparing the adjustment, specific expenditure or receipt accounts (if applicable), and the calculation of the dollar amount of the adjustment. **Clear documentation of the **JV** preparer, approver(s), and reviewer must be kept with the **JV** documentation.** Supporting documentation should be attached to a copy of the **JV**. In some cases, it may not be practical to attach all of the documentation to the **JV** because of the large number of detailed transactions that are summarized on it. In those cases, specific and detailed information summarizing the content and identifying the location of the supporting documentation shall be attached to the **JV**. Regardless of what method of documentation is used for the **JVs**, the dollar amount(s) on the **JVs** shall be clearly and readily identifiable within the supporting documentation for the following categories, as further defined by **OUSDC** **Financial Reporting Guidance, Quarterly**:

1. Category A — Reversing Entries for Prior Reporting Period. **JVs** shall include documentation regarding the original accrual entry and an explicit statement that the **JV** is a reversing entry.

2. Category B — Data Call Entry. Source entry information may be provided by data calls where the data are not recorded on a detailed transaction basis. **JVs** shall be prepared to record the summarized data call amounts in these situations so the amounts can be recorded in the general ledger trial balance. The data call entry shall be supported by documentation for the summarized amount and shall identify the source or location of the transaction-level supporting detail and/or information for the entry. Examples of data call entries include property, plant and equipment; operating materials and supplies; environmental liabilities; contingent liabilities; and employee benefit data.

3. Category C — Balancing Entries for Eliminations. When the duly authorized official has determined that entries are necessary to balance buyer side data with the seller side data, a correcting **JV** shall be prepared prior to eliminating selected intragovernmental accounts. The documentation shall include the appropriate worksheets that show in detail the seller side data that were received, the buyer side control values that are being adjusted, and the calculation of the adjustment amount. The supporting documentation for these **JVs** shall also include a narrative that summarizes the procedures that were used to make buyer side adjustments and include the following information:

a. Eliminations are necessary so as not to overstate or understate the performance or financial position of a reporting entity by including the effects of transactions within a reporting entity. As stated in the notes to the financial statements and Volume 6B, Chapter 13 of this Regulation, DoD uses intra-DoD summary seller side balances

for revenue, accounts receivable, and unearned revenue to adjust the intra-DoD departmental buyer side records for costs, accounts payable, and advances, respectively. Balancing entries for eliminating entries include amounts to ensure that the corresponding transfer in and transfer out accounts are equal for trading partners. A failure to balance the buyer and seller side data could result in significant distortions in consolidated financial statements.

b. The procedures to use information provided by the seller for fiscal year reporting were developed due to systems limitations that prevent the identification of buyer side transactions by specific trading partners.

c. All supporting documentation is attached, including the detailed information from the seller that was used to adjust the buyer side records and the resulting accounting entries.

4. Category D — Recognition of Undistributed Disbursements and Collections. Entries shall be made to adjust Fund Balance with Treasury, as reported, for the amount of supported undistributed disbursements and collections reported in the departmental expenditure system. The proper supporting documentation for this type of JV consists of identifiable amounts that are in transit from other sources (such as DFAS or Federal agencies). Many amounts at the detailed transaction level are not available due to timing differences, and support consists solely of transmitted sums. In such a case, evidence available to support the JV adjustments consists of summarized transmittal amounts. However, for audit trail purposes, the detailed transaction level amounts shall be obtained from the transmittal source when the amounts become available. Further evidence includes documentation of procedures and the allocation process used to apply undistributed disbursements and collections to accounts payable and accounts receivable, respectively.

5. Category E — Reconciliation of Trial Balance and Budget Execution Reports. JV entries in this category are made to match trial balances or other source data reported by field accounting sites and/or accounting stations to the DoD Component's budget execution reports. Trial balances or other source data should be considered to be correct and should only be adjusted to budget execution data in instances where budget execution data are determined to be more accurate. The JV shall document why a discrepancy exists in the data, the reason the budget execution data or other data are considered to be more accurate, the evidence to support this reason, and how it was determined that the entries on the JV are correct.

6. Category F — Supply Management Inventory. A correcting JV shall be prepared when the duly authorized official has determined that inventory values for supply management activities need to be adjusted from standard price to approximate historical cost. The supporting documentation shall include appropriate references to Volume 4, Chapter 4 of this Regulation and a clear explanation of the method that was used to comply with the policy in this Regulation to value inventory and cost of goods sold.

7. Category G — Reclassification of Accounts. A correcting JV shall be prepared to crosswalk data from installation level accounts to the United States Standard General Ledger (USSGL) when the duly authorized official has determined that the accounting

systems are unable to provide data at the required level of detail for financial statement and footnote presentation. The supporting documentation shall include a narrative that explains the reason the reclassification is necessary and the reason the systems are unable to provide the data at the required level of detail. [See also the USSGL Transaction Library](#).

8. Category H — Identified Errors and Reasonableness Checks.

Evidence to support either an authorized official or auditor identified correcting JV shall include a detailed listing of identified errors, a narrative explaining how it is known that the original entry is incorrect, a related analysis documenting the calculation of the correct amount, and the sources of the data that were used in the analysis.

9. Category I — Adjustment to Balance Reports Internally.

A correcting JV may be necessary when the duly authorized official has determined that a reconciliation of data supporting two different reports cannot be performed. Evidence to support this type of JV shall include documentation of the reconciliation efforts made before determining that the reports cannot be reconciled.

10. Category J — Other Accruals.

The supporting documentation for other accrual JVs shall include a narrative explaining the basis for the accrual and any subsequent reversal.

020209. Release of Reports

A. DoD Components. DoD Components shall approve [DFAS-produced](#) draft annual reports and return those reports to DFAS for appropriate revision, validation, and release as final reports. The DoD Component shall not release any [DFAS-produced](#) reports, including monthly recurring reports, such as budget execution reports, to any organization external to the DoD Component. Such reports shall be released only by DFAS. Requirements for the audited and interim financial statements can be found in Volume 6B, Chapter 2 of this Regulation.

B. DFAS. DFAS shall validate all final reports using the official accounting records prior to release to their intended recipients. This release of reports shall be taken only after final validation that corrections and adjustments have been made and that the report agrees with the official accounting records.

\*020210. Certifications

A. DoD Component/Reporting Entity. A reporting entity is the organization represented by the financial information in a financial statement or report. This may be a DoD Component or a subordinate command/organization. For example, a reporting entity may include an individual command or activity such as a shipyard or a supply depot, or it could encompass a number of activities within a business area, such as all shipyards or aircraft depot maintenance activities in a Military Department. A reporting entity also can be at a DoD Component level. Reporting entities having working capital funds are responsible for signing the “Defense Working Capital Fund Accounting Report” (AR (M) 1307)(Volume 6A, Chapter 15).

B. DFAS. DFAS' role in processing financial data and in preparation of financial reports for DoD Components accrues certain responsibilities. Accordingly, DFAS shall provide the following to the DoD Component:

1. Assurances and certifications, when requested, to the reporting entity regarding the quality of the accounting and report preparation services performed for the DoD Component.

2. Signed monthly, quarterly, and semiannual reports on behalf of the DoD Component following review and approval by the DoD Component. An exception is the "Defense Working Capital Fund Accounting Report" (AR (M) 1307), which the DoD Component is required to sign. Also, guidance for the audited and interim financial statements can be found in Volume 6B, Chapter 2 of this Regulation.