

**SUMMARY OF MAJOR CHANGES TO
DoD 7000.14-R, VOLUME 6A, CHAPTER 2
“FINANCIAL REPORTS ROLES AND RESPONSIBILITIES”**

All changes are denoted by blue font

Substantive revisions are denoted by a ★ preceding the section,
paragraph, table, or figure that includes the revision

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

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded and reformatted chapter for clarity, updated references, and added electronic links.	Update
0201	Replaces “General” with “Overview” paragraph.	Update
020102	Adds Volume 6B of this Regulation as a reference for the requirements for audited and interim financial statements.	Update
020207.B.2.b	Clarifies notification of report adjustments.	Add
020208.A	Provides clarification of the journal voucher definition and uses.	Add
020208.B.4.b	Clarifies responsibilities for DoD Component requested journal vouchers.	Add
020208.C	Allows for delegation of authority for journal voucher approval and review that approval thresholds are met, modifies coordination, and clarifies separation of duties.	Update
020208.D	Provides additional journal voucher information requirements.	Update
020210	Eliminates audited financial statements guidance on DFAS certification and letters of representation since these requirements are in Volume 6B of this Regulation.	Delete
020210.A.1 and B.3	Replaces “31 U.S.C. 1501(b)” with “31 U.S.C. 1501(a)” as a more appropriate reference.	Update

TABLE OF CONTENTS

FINANCIAL REPORTS ROLES AND RESPONSIBILITIES

★ 0201 Overview

★ 0202 Responsibilities

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 DoD Components whose departmental, intermediate, and installation level financial reports are prepared by DFAS, as well as DoD Components that prepare their own financial reports, such as the Army Corps of Engineers and certain organizations required to perform their own accounting because of security considerations. In those instances, reporting organizations shall perform the responsibilities described herein as assigned to DFAS, as well as those assigned to DoD Components. 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. Those requirements are addressed in Volume 6B of this Regulation.

0202 RESPONSIBILITIES

020201. Stewardship and General Responsibilities. The 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 their 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. documentation required to support adjustments to the official accounting records.
8. preparation of journal vouchers.
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.
2. Establishing 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.

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, 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.

2. The process for preparing financial reports is consistent, timely, and 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 provided to DFAS to be recorded in the accounting systems and subsequently used in financial reports is accurate, complete, and supportable. DoD Components shall maintain or create controls to ensure that:

1. All financial transactions are submitted to DFAS. These controls should include tools to identify and track the numbers, types, and dollar amounts of transactions submitted to DFAS.

2. All transactions are edited to assure accuracy before submission to DFAS, e.g., the transaction is identified correctly in terms of the type of transaction, reported quantity(ies), and the dollar amount(s).

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. Annual certifications required in implementation of **Title 31, United States Code (U.S.C.), section 1501(a)** are prepared and submitted when required.

6. 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.](#)

7. 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 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(ies), and dollar amount(s).

3. Specific edits are applied by type of transaction in each finance or accounting system. Transactions [that](#) fail to pass edits shall be assigned for research and correction by DFAS and/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. obligation transactions as a result of contracts or purchase orders that exclude data essential for recording the transactions in accounting or payment systems.

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

d. disbursements 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. all transactions applicable to the effective period of the report have been edited and posted to the official accounting records.

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

c. reported amounts are verified to the amounts contained in the official accounting records.

d. report lines have the proper sign (positive or negative).

e. mathematical calculations on each report are validated.

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

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

h. applicable 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 from their sources to 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 and submitted to DFAS for recording in the accounting systems and use in financial reports.

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, or 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 provided 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.

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 to require their activities to develop report preparation schedules jointly 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 the reports 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 nor 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.

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.

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 paragraph.

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 Preparation

★ A. General. Proper preparation of and adequate support for journal vouchers is important to ensure that journal vouchers accurately record a financial event and that documentation for a detailed audit trail exists. 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. Journal vouchers 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 reporting. Proper preparation of, and adequate support for, journal vouchers is the responsibility of DFAS and DoD Components.

B. Uses of Journal Vouchers. DoD has [the following](#) two primary uses for journal vouchers:

1. Correcting Entries. Correcting entry journal vouchers 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 journal vouchers. 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 journal voucher and a single set of supporting documentation. Regardless of whether a single journal voucher or multiple journal vouchers are prepared, the correcting journal voucher shall include a copy of the original journal voucher, 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 journal vouchers record those accounting entries that, due to system limitations or timing differences, have not been otherwise recorded. By nature, source entry journal vouchers 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 journal vouchers 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 journal vouchers 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 journal vouchers are further separated into [the following](#) two subcategories:

a. Audit Recommended Journal Vouchers. [When](#) auditors recommend that a journal voucher adjustment be made, the proper authoritative source 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 journal voucher should be prepared or that a journal voucher 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 journal voucher shall be prepared. In addition, the journal voucher shall document why the adjustment is required, indicate how the duly authorized official determined that the entries included on the journal voucher 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.

★ C. Internal Controls. Operational internal controls shall be in place to ensure the journal vouchers are recorded properly. These controls shall be in place whether journal vouchers are prepared manually or generated by an automated system.

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

a. Sequentially numbered by reporting unit and reflected in a journal voucher log to maintain the integrity of journal voucher 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 journal voucher transaction.

e. Authorized and approved at the appropriate level of management by the appropriate Director or designee. The organizational level within accounting centers, accounting stations, finance offices, and other accounting locations at which journal vouchers shall be approved varies by the dollar amount of the voucher, as shown in Table 2-1. 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 journal voucher. In addition, all journal vouchers over \$1 billion shall be coordinated with the DoD Component. Approving officials may delegate their authority in writing to lower-level supervisory or other duly authorized officials knowledgeable about the subject matter. This delegation does not relieve the delegating official of their approval authority responsibilities.

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

Table 2-1

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 either a hard copy or in an electronic form.

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 to ensure **there is** proper oversight of journal voucher preparation. As a minimum, such managerial internal controls shall entail the following:

a. **A review by** the Director for Accounting (or the equivalent) of all journal vouchers within 10 work days after financial reports are prepared to determine **that** approval thresholds were met and, if not, **then** obtain such approvals. **The review of journal vouchers less than \$500 million may be delegated in writing to lower-level supervisory or other duly authorized officials knowledgeable about the subject matter.**

b. **A review by** the Director for Accounting (or the equivalent) **of a** sample of journal vouchers under \$500 million within 10 work days after financial reports are prepared to determine **that** supporting documentation is present and adequate.

c. **A review by** the Director for Accounting (or the equivalent) of a sample of reversing journal vouchers under \$500 million within 10 work days after financial reports are prepared to determine **that** they are correctly prepared, documented, reviewed, processed, and approved.

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

★ D. Documentation. Proper documentation, in either hard copy or electronic form, is necessary to support all journal voucher entries. This documentation shall contain sufficient information for the approving official and others, such as auditors, to clearly understand the reason for preparing the journal voucher, determine it is proper and accurate, and identify whether the journal voucher 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. Supporting documentation should be attached to a copy of the journal voucher. In some cases, it may not be practical to attach all of the documentation to the journal voucher 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 journal voucher. Regardless of what method of documentation is used for the journal vouchers, the dollar amount(s) on the journal vouchers shall be clearly and readily identifiable within the supporting documentation for the following categories, as further defined by OUSD(C) Financial Reporting Guidance, Quarterly:

1. Category A — Reversing Entries for Prior Reporting Period. Journal vouchers shall include documentation regarding the original accrual entry and an explicit statement that the journal voucher 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. Journal vouchers 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 journal voucher 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 journal vouchers 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 journal voucher 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 journal voucher 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](#). Journal voucher 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 journal voucher 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 journal voucher are correct.

6. [Category F — Supply Management Inventory](#). A correcting journal voucher 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 journal voucher 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.

8. Category H — Identified Errors and Reasonableness Checks. Evidence to support either an authorized official or auditor identified correcting journal voucher 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 journal voucher 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 journal voucher 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 journal vouchers 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 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 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.

1. The reporting entity, rather than DFAS, is responsible for annual certifications required in the implementation of 31 U.S.C. 1501(a). See [Chapter 4](#) of this volume for additional certification information for the Department of the Treasury, Financial Management Service, Year-End Closing Statement (FMS Form 2108).

2. Reporting entities having working capital funds are responsible for signing the “Defense Working Capital Fund Accounting Report” (AR (M) 1307).

B. DFAS. DFAS has certain responsibilities with regard to the processing of financial data and the preparation of financial reports for [DoD Components](#) and 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.

3. A certification with the annual Financial Management Service 2108, “Year-End Closing Statement”: “I hereby certify that the amounts shown in this report are a complete compilation of amounts contained in official accounting records, have been validated to the official accounting records, and have been reconciled, as required, to appropriate general ledger and subsidiary ledgers. All known transactions have been included in the report.” [DFAS-IN, Standards and Compliance, Corporate Reporting](#) advises the field locations to obtain data from the certifying officials at the field accounting sites to support the DoD Component’s requirement to provide annual certifications required in the implementation of 31 U.S.C. 1501(a).

4. A certification, similar to that specified in the preceding paragraph, shall be provided by the chief of the applicable reports section to the [DoD Component](#) with the monthly “Defense Working Capital Fund Accounting Report” (AR (M) 1307).