

Reporting Entities	Earned Revenue	Gross Costs
MERHCF	✓	✓
MERHCF - Payment to MERHCF		✓
U.S. Special Operations Command		✓
DISA WCF	✓	✓
DISA GF		✓
TRANSCOM - Air Mobility Command	✓	✓
TRANSCOM - Military SDDC	✓	✓
TRANSCOM - Military Sealift Command	✓	
TRANSCOM - Command Staff	✓	
TRANSCOM - Component Level	✓	
DeCA WCF	✓	✓
DFAS WCF	✓	✓
DoD Designated Examination		
WHS - Office of the SecDef		✓
WHS - Pnt Res Mtn Rev Fund and PFFA	✓	
WHS - Building Maintenance Fund	✓	
Missile Defense Agency		✓
Defense Security Cooperation Agency		✓
DoD Education Activity		✓
Other TI-97 Funds - Army		✓
DARPA		✓
Chemical Biological Defense Program		✓
Defense Threat Reduction Agency		✓
Defense Contract Mgmt Agency		✓
DoD Non-material Reporting Entities		
Defense Acquisition University	✓	
Defense Technical Information Center	✓	✓
Defense Human Resources Activity		✓
Agency-Wide Component	✓	
✓ = Material to DoD Consolidated FY 2015 Statement of Net Cost		

Figure 5-6. Reporting Entities Material to Statement of Net Cost (Earned Revenue and Gross Cost Line Items)

5.D.2.1 Revenue

Revenue represents the inflow of resources that the Government demands, earns, or receives by donation. These amounts are received from both Government and private entities in exchange and non-exchange transactions and are a supplement to appropriations received from Congress. Exchange revenues (earned revenues) arise when a Government entity provides goods and services to the public or to another Government entity for a price. Non-exchange revenues arise primarily from exercise of the Government's power to demand payments from the public, including income taxes, duties, and fines and

penalties. Reporting entities must be able to assert the audit readiness of all business processes and sub-processes related to Revenue including the rendering of goods or services, billing, and collection.

Intragovernmental vs. Non-Federal

Reporting entities are required to reconcile Intragovernmental transactions and balances with their Federal trading partners throughout the course of the fiscal year. The suggested test procedures for RE.1 – RE.2 and RE.4 – RE.7 can be leveraged to test both Intragovernmental and Non-Federal Revenue. The suggested test procedures provided in RE.3 are for Intragovernmental Revenue only. Specific considerations that apply to the presentation and disclosure assertion for Intragovernmental transactions, including Intragovernmental Revenue, are covered in the Financial Reporting assessable unit.

Standards and Guidance

Additional sources of guidance pertaining to financial management, accounting and record retention policies for Revenue are contained in the following table.

Financial Management and Accounting Guidance	Record Retention Policies
<ul style="list-style-type: none"> SFFAS No. 7, 20, 21 (and amendments) DoD FMR: Volume 4, Chapter 16 DCFO Memorandum: <i>Accurate and Reliable DoD Component-level Financial Management Trial Balances</i> 	<ul style="list-style-type: none"> National Archives and Records Administration (NARA) General Records Schedule (GRS) 1.1 DoD FMR: Volume 1, Chapter 9

Balance By Reporting Entity

The following reporting entities comprise the Earned Revenue line item.

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ 6,845,700,885	2.3%
Air Force GF	5,209,417,027	1.8%
Navy GF	8,006,036,958	2.7%
Marine Corp GF	283,800,034	0.1%
Navy WCF	25,813,744,230	8.7%
Air Force WCF	10,689,280,592	3.6%
Army WCF	20,384,862,547	6.9%
Marine Corp WCF	1,053,366,474	0.4%
Military Retirement Fund	112,267,833,065	38.0%
USACE – Civil Works Program	2,318,711,198	0.8%
Subtotal - OMB Design. Audit	\$ 192,872,753,010	65.4%
DoD Designated Audit		
DHA - Contract Resource Mgmt	\$ 957,687,968	0.3%
DHA – Comptroller FOD	26,369,031	0.0%
DHA - USUHS	33,908,739	0.0%
DHA - SMA/Army	1,005,743,054	0.3%
DHA - SMA/Navy	378,154,260	0.1%
DHA - SMA/Air Force	577,409,725	0.2%
DHA - SMA/NCR	305,126,957	0.1%
MERHCF	15,941,642,504	5.4%
DLA WCF	51,036,387,365	17.3%
DLA GF	78,884,420	0.0%
DLA Strategic Materials	39,461,759	0.0%
DoD Component Level Accounts	190,527,965	0.1%
U.S. Special Operations Command	222,203,689	0.1%
DISA WCF	6,385,522,030	2.2%
DISA GF	167,768,660	0.1%
TRANSCOM - Air Mobility Command	5,777,348,050	2.0%
TRANSCOM - Military SDDC	1,571,320,607	0.5%

Reporting Entities	FY 2015 Balance	% of Total
TRANSCOM - Military Sealift Command	710,449,421	0.2%
TRANSCOM - Command Staff	405,757,812	0.1%
TRANSCOM - Defense Courier Division	5,077,490	0.0%
TRANSCOM - Component Level	409,486,590	0.1%
DeCA WCF	5,553,155,834	1.9%
DeCA GF	276,838,945	0.1%
DFAS WCF	1,348,777,450	0.5%
Defense Contract Audit Agency	63,749,152	0.0%
Subtotal - DoD Design. Audit	\$ 93,468,759,476	31.7%
DoD Designated Examination		
Washington Headquarters Services (WHS)	\$ 91,901,367	0.0%
WHS - Office of the SecDef	34,093,055	0.0%
WHS - Pnt Res Mtn Rev Fund & PFFA	391,073,424	0.1%
WHS - Building Maintenance Fund	377,026,554	0.1%
WHS - Civilian Military Program	4,101	0.0%
WHS - Defense Legal Services Agency	1,460,079	0.0%
Missile Defense Agency	5,245,630	0.0%
Defense Security Cooperation Agency	12,647,088	0.0%
DoD Education Activity	55,058,441	0.0%
DARPA	221,285	0.0%
Other TI-97 Funds - Army	20,901,449	0.0%
Chemical Biological Defense Program	30,611,501	0.0%
Defense Contract Mgmt Agency	195,095,671	0.1%
Defense Threat Reduction Agency	27,532,343	0.0%
Joint Staff (includes NDU)	27,403,021	0.0%
Subtotal - DoD Design. Exam	\$ 1,270,275,008	0.4%
DoD Non-material Reporting Entities		
Other Reporting Entities	7,490,529,268	2.5%
Total	\$ 295,102,316,762	100.0%

Source: FY 2015 Reporting Entity DDCRS-AFS Statements of Net Cost

Line Item Audit Readiness Considerations

The following table presents financial reporting risks, Outcomes Demonstrating Audit Readiness and KSDs specific to Revenue. In order to assert audit readiness for this line item, reporting entities must demonstrate that effective controls are in place to achieve the Outcomes Demonstrating Audit Readiness relative to the risk associated with the assertion (as noted in the table). The suggested test procedures can be used to test key controls operating within the business processes affecting Revenue, and assess the availability of KSDs that support the controls and amounts recorded.

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Revenue			
RE.1	Recorded Revenue may not pertain to the reporting entity, may not be representative of amounts earned by the reporting entity, or may be improperly classified and summarized (E) (Wave 4, ROMM #4, #5, #6, #19, and #20)	Recorded Revenue represents transactions and events that actually occurred, are appropriately classified and pertain to the reporting entity (Wave 4, FRO #43, #44, #50, #51, and #52)	Deposit tickets (SF-215s), IPAC/GOALS reports supporting cash collection dollar amounts Documentation supporting collection of exchange revenue (e.g., MIPR acceptance, reimbursable agreements, vendor invoices, contracts)
			Test a sample of Revenue transactions and examine supporting documentation to determine whether: <ul style="list-style-type: none"> revenue is recorded timely (after services have been rendered or goods provided) and at correct amounts reporting entity has earned revenue (by providing goods or services)

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Revenue			
		Invoices, collection histories, other documentation supporting an accounts receivable	Verify that Revenue subledgers reconcile to general ledger (G/L) accounts and G/L accounts agree to the financial statements of the reporting entity
RE.2	Recorded Revenue may not include all amounts earned by the reporting entity, or may not be summarized accurately in the financial statements (C) (Wave 4, ROMM #27, #28, #29, #42, and #43)	Recorded Revenue includes all amounts earned by the reporting entity, and is summarized accurately in the financial statements (Wave 4, FRO #46 and #53)	Other support to demonstrate completeness of reported revenue (e.g., reconciliation to trust fund collections) Test a sample of Revenue transactions and examine supporting documentation to determine whether: <ul style="list-style-type: none"> • revenue is recorded timely (after services have been rendered or goods provided) and at correct amounts • reporting entity has earned revenue (by providing goods or services)
RE.3	Revenue may not be properly classified as either Intragovernmental or Non-Federal (E, C)	Recorded Revenue is properly classified as either Intragovernmental or Non-Federal (Wave 4, FRO #78)	Trading partner confirmations, Intragovernmental Accounts Receivable reconciliations, IPAC reports, receiving reports (DD Form 250), Interservice Support Agreements (DD Form 1144) Select a sample of revenue transactions and verify that the Revenue is properly classified as Intra-governmental or Non-Federal; for Intra-governmental Revenue, confirm the trading partner code.
RE.4	All valid recorded Revenue transactions may be recorded at incorrect amounts (V) (Wave 4, ROMM #48, #49, and #67)	Recorded Revenue transactions are recorded at correct amounts (Wave 4, FRO #47, #50, and #54)	Deposit tickets (SF-215s), IPAC/GOALs reports, supporting cash collection dollar amounts Documentation supporting collection of exchange revenue (e.g., MIPR acceptance, reimbursable agreements, vendor invoices, contracts) Screenshots of posting logic of sales orders, earned revenue and collection transactions Invoices, collection histories, other documentation supporting an accounts receivable Cost accounting records including a detailed listing of factors, data, assumptions, and formulas used in the calculation of current year customer rates Budget-to-actual analysis of data used to calculate prior

Financial Reporting Risks	Outcomes Demonstrating Audit Readiness	Key Supporting Documents	Suggested Test Procedures
Revenue			
		year customer rates Timecards and SF-50s supporting any labor costs that have been included in the calculation of customer rates Contracts and invoices supporting any direct or indirect costs that have been included in the calculation of customer rates	
RE.5	The reporting entity may not have rights to recorded Revenue (R) (Wave 4, ROMM #71)	The reporting entity has the rights to the recorded Revenue (Wave 4, FRO #48 and #55) Public law demonstrating authority to collect non-exchange revenue Contracts and invoices supporting any direct or indirect costs that have been included in the calculation of customer rates	Test a sample of revenue transactions and examine supporting documentation to determine whether reporting entity has earned revenue (by providing goods or services) and has the right to report revenue in its financial records.
RE.6	IT General and Application Controls may not be appropriately designed or operating effectively (FISCAM)	All material systems achieve the relevant FISCAM IT general- and application-level general control objectives.	See FIAR Guidance Section 3.D.2, "Systems (IT) Controls," for additional details related to IT General and Application Controls audit readiness activities
RE.7	Budgetary and proprietary interdependencies may not be properly maintained as indicated by tie-point reconciliation variances	Budgetary and proprietary interdependencies are properly maintained and reflected in tie-point reconciliations	Tie-point reconciliations Review all tie-point reconciliation variances related to Revenue and: <ul style="list-style-type: none"> • Determine the root cause of the variance • Execute appropriate, corrective actions to resolve the variance • Document executed corrective actions Tie-point reconciliations related to Revenue should include: <ul style="list-style-type: none"> • (4901, Ending Balance – 4901, Beginning Balance) + 4902 + 4971 + 4972 + 4981 + 4982 = 6100 + 63X0 + 6400 + 6900 + 8802 • 5200 = (4251, Ending Balance – 4251, Beginning Balance) + 4252

Footnote Disclosures

Reporting entities are responsible for ensuring the completeness and accuracy of data provided to OUSD(C) for the preparation of the footnote disclosures related to **Note 18. General Disclosures Related to the Statement of Net Cost** included in the FY 2014 DoD Agency Financial Report. OMB Circular A-136, *Financial Reporting Requirements*, specifies fundamental requirements for revenue that reporting entities must consider in carrying out audit readiness activities. The Financial Reporting assessable unit in the FIAR Guidance provides further details with respect to audit readiness outcomes that address the presentation and disclosure assertion for the financial statement line items.

5.D.2.2 Gross Costs

Expenses represent the outflow or consumption of assets or the incurrence of liabilities during an operating period. Such expenses, reported as Gross Costs on the Statement of Net Cost, represent the total costs of the following appropriations: Military Retirement Benefits, Civil Works, Military Personnel, Operations - Readiness & Support, Procurement, Research & Development and Test & Evaluation, Family Housing & Military Construction.

Intragovernmental vs. Non-Federal

Reporting entities are required to reconcile Intragovernmental transactions and balances with their federal trading partners throughout the course of the fiscal year. The suggested test procedures for GC.3 are specific to this attribute; the suggested test procedures for GC.1/GC.2 and GC.4/GC.5 can be leveraged to test both Intragovernmental and Non-Federal Gross Costs. The suggested test procedures provided in GC.7 are for Intragovernmental Gross Costs only. Specific considerations that apply to the presentation and disclosure assertion for Intragovernmental transactions, including Intragovernmental Gross Costs, are covered in the Financial Reporting assessable unit.

Standards and Guidance

Additional sources of guidance pertaining to financial management, accounting and record retention policies for Gross Costs are contained in the following table.

Financial Management and Accounting Guidance	Record Retention Policies
<ul style="list-style-type: none"> SFFAS No. 4, 30, 33 (and amendments) DoD FMR: Volume 4, Chapters 17-23 DCFO Memorandum: <i>Accurate and Reliable DoD Component-level Financial Management Trial Balances</i> 	<ul style="list-style-type: none"> National Archives and Records Administration (NARA) General Records Schedule (GRS) 1.1 DoD FMR: Volume 1, Chapter 9

Balance By Reporting Entity

The following reporting entities comprise the Gross Costs line item.

Reporting Entities	FY 2015 Balance	% of Total
OMB Designated Audit		
Army GF	\$ 158,314,042,970	17.8%
Air Force GF	162,026,206,580	18.3%
Navy GF	136,500,847,458	15.4%
Marine Corp GF	25,775,921,626	2.9%
Navy WCF	28,058,790,649	3.2%
Air Force WCF	11,182,939,991	1.3%
Army WCF	21,764,514,299	2.5%
Marine Corp WCF	1,449,518,949	0.2%
Military Retirement Fund	64,190,527,446	7.2%
USACE – Civil Works Program	9,365,982,490	1.1%
Subtotal - OMB Design. Audit	\$ 618,629,292,458	69.7%
DoD Designated Audit		
MRF Payment	\$ 81,759,440,000	9.2%