

VOLUME 1, CHAPTER 1: “CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE”

SUMMARY OF MAJOR CHANGES

All changes are denoted by [blue font](#).

Substantive revisions are denoted by an asterisk (*) 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 [June 2010](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reformatted chapter and updated hyperlinks to comply with current administrative instruction.	Revision
010102	Added the Authoritative Guidance paragraph to comply with current administrative instruction.	Addition
010302	Added the requirement for Chief Management Officer coordination for the design, development and installation of financial systems.	Addition
010303	Replaced the Performance and Accountability Report with the Agency Financial Report requirement.	Revision
0104	Added a new section to list the Chief Financial Officer (CFO) authority.	Addition
010701.C	Removed the Directorate for Revolving Funds as it was subsumed by the Directorate of Operations.	Revision
010702	Reorganized and renamed the Office of the Deputy CFO directorates.	Revision
010703.G	Added the function of the Defense Finance and Accounting Service.	Addition
Figure 1-1	Updated the Under Secretary of Defense (Comptroller)/CFO Structure.	Revision

Table of Contents

VOLUME 1, CHAPTER 1: “CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE” 1

0101 GENERAL 3

 010101. Purpose 3

 *010102. Authoritative Guidance 3

0102 CHIEF FINANCIAL OFFICER APPOINTMENT 3

0103 ROLES AND RESPONSIBILITIES 3

 010301. Financial Management 4

 *010302. Financial Management Systems 4

 *010303. Agency Financial Report 5

 010304. Budget Execution 5

 010305. Biennial Review 5

*0104 CHIEF FINANCIAL OFFICER AUTHORITY 5

0105 CHIEF FINANCIAL OFFICERS COUNCIL 6

0106 ESTABLISHMENT OF THE DEPUTY CHIEF FINANCIAL OFFICER 6

0107 DEPARTMENT OF DEFENSE STAFF ORGANIZATIONS 6

 010701. Deputy Comptroller (Program/Budget) 6

 *010702. Deputy Chief Financial Officer 7

 010703. Director, Defense Financial and Accounting Service 8

0108 DEPARTMENT OF DEFENSE COMPONENTS 9

*Figure 1-1: UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF FINANCIAL OFFICER STRUCTURE 10

CHAPTER 1

CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE

0101 GENERAL

010101. Purpose

This chapter describes the [establishment, roles, responsibilities, and authority](#) of the Department of Defense (DoD) Chief Financial Officer (CFO) as established by the CFO Act of 1990. The DoD CFO is also the Under Secretary of Defense (Comptroller) (USD(C)). The USD(C)/CFO is charged with the responsibility of developing and implementing DoD-wide financial management systems and overseeing financial management activities relating to the CFO programs and operations of the DoD.

[*010102. Authoritative Guidance](#)

CFO establishment, roles, responsibilities, and authority prescribed by this chapter are in accordance with CFO Act of 1990 (Title 31, United States Code, sections [901](#), [902](#), [903](#), and [3515](#)) (31 U.S.C. §§ 901, 902, 903, and 3515), [DoD Directive \(DoDD\) 5118.03](#), “Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense (USD(C)/CFO)” and [DoDD 5118.05](#), “Defense Finance and Accounting Service (DFAS)”.

0102 CHIEF FINANCIAL OFFICER APPOINTMENT

The CFO Act designates DoD as an agency whose CFO is either appointed by the President, by and with the advice and consent of the U.S. Senate; or designated by the President, in consultation with the head of the agency, from among officials of the agency who are required by law to be so appointed. The USD(C), who is appointed by the President and confirmed by the U.S. Senate, is also the DoD CFO.

0103 [ROLES AND RESPONSIBILITIES](#)

The USD(C)/CFO is the Principal Staff Assistant and advisor to the Secretary of Defense for budgetary and fiscal matters including financial management, accounting policy and systems, managers’ internal control systems, budget formulation and execution, contract audit administration and organization, and general management improvement programs. See Figure 1-1 for the DoD Chief Financial Officer Structure. Consistent with the CFO Act, the following [roles and responsibilities](#) are assigned USD(C)/CFO:

010301. Financial Management

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

A. Establish financial management policies for the DoD including its component parts. Ensure compliance throughout the DoD with applicable accounting policy and standards.

B. Establish, review and enforce internal control policies, standards and compliance guidelines involving financial management.

C. Provide oversight of financial management activities and operations including: (a) preparation and annual revision of the Financial Improvement and Audit Remediation plan and (b) development of financial management budgets.

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

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

*010302. Financial Management Systems

Develop and maintain an integrated agency accounting and financial management system, including but not limited to financial reporting, internal controls, cash management, credit management, debt collection, property management, and inventory management. **In coordination with the Chief Management Officer, provide for the design, development, and installation of financial systems and for management improvement programs throughout the DoD, especially those related to financial management.** Ensure system:

A. Complies with applicable accounting principles, standards and requirements, and internal control standards.

B. Complies with such policies and requirements as may be prescribed by the Director of OMB.

C. Provides for:

1. Complete, reliable, consistent and timely information which is prepared on a uniform basis and which is responsive to the financial information needs of DoD management.

2. The development and reporting of cost information.

3. The integration of accounting and budgeting information.

4. Financial and/or program performance data used in budget development and financial statements preparation.
5. The adequate controls over real property, equipment and inventories.
6. The systematic measurement of performance.

*010303. Agency Financial Report

As required by [OMB Circular A-136](#), DoD must prepare and transmit an Agency Financial Report (AFR) to the Secretary of Defense, OMB, U.S. Department of the Treasury ([Treasury](#)), [the Government Accountability Office](#), and [the Congress](#). The Department's financial reporting requirements and related information on the preparation of the AFR are identified in Volume 6B, Chapter 3.

010304. Budget Execution

Monitor the financial execution of the DoD budget in relation to actual expenditures, and prepare and submit to the Secretary of Defense timely performance reports.

010305. Biennial Review

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

*0104 CHIEF FINANCIAL OFFICER AUTHORITY

To enable the USD(C)/CFO, for carrying out the duties and responsibilities, the USD(C)/CFO, has authority to:

- A. Access all records, reports, audits, reviews, documents, papers, recommendations, or other material which are the property of the DoD or which are available to the DoD, and which relate to programs and operations with respect to which DoD CFO has responsibilities.
- B. Request such information or assistance as may be necessary for carrying out the duties and responsibilities of the DoD CFO from any Federal, State, or local governmental entity.
- C. To the extent and in such amounts as may be provided in advance by appropriations Acts, the CFO may enter into contracts and other arrangements with public agencies and with private persons for the preparation of financial statements, studies, analyses, and other services; and make such payments as may be necessary.

0105 CHIEF FINANCIAL OFFICERS COUNCIL

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

0106 ESTABLISHMENT OF THE DEPUTY CHIEF FINANCIAL OFFICER

The CFO Act requires the establishment of DoD Deputy Chief Financial Officer (DCFO), who must report directly to the DoD CFO on financial management matters. The position of DCFO must be a career-reserved position in the Senior Executive Service. Consistent with qualification standards developed by, and in consultation with, the DoD CFO and the Director of OMB, the Secretary of Defense must appoint as DoD DCFO an individual with demonstrated ability and experience in accounting, budget execution, financial and management analysis, systems development, and not less than 6 years practical experience in financial management at large governmental entities.

0107 DEPARTMENT OF DEFENSE STAFF ORGANIZATIONS

010701. Deputy Comptroller (Program/Budget)

The Deputy Comptroller (Program/Budget) is responsible for overseeing and implementing budgetary functions within the DoD on a day-to-day basis. The Office of the Deputy Comptroller (Program/Budget) is organized into four directorates:

A. The Directorate for Investment is responsible for advising the Deputy Comptroller (Program/Budget) on all matters pertaining to: Procurement; Research, Development, Test, and Evaluation; the National Foreign Intelligence Program; and for the Defense Acquisition Board program.

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

* C. The Directorate for Operations is responsible for advising the Deputy Comptroller (Program/Budget) on all matters pertaining to operating and maintaining the U.S. military force structure to include active and reserve military personnel and civilian personnel. This directorate is also responsible for advising on all matters pertaining to Defense-wide Working Capital Funds, the Pentagon Reservation Maintenance Revolving Fund, the Building Maintenance

Fund, the Conventional Ammunition Working Capital Fund, the National Defense Stockpile Transaction Fund, and the Military Services' Management and Trust Funds.

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

*010702. Deputy Chief Financial Officer

The DCFO is responsible for overseeing and implementing accounting policy, improvements in financial management, as well as other financial management functions for the DoD on a day-to-day basis. The Office of the DCFO is organized into four directorates:

A. The Directorate for Business Processes and Systems Modernization (BPSM) is responsible for leading the DoD financial management community in establishing and sustaining a DoD target end-to-end (E2E) business and financial system environment that is modern, standardized, simplified and cost-conscious where technology and analytics are utilized to drive and manage performance. Additionally, BPSM is responsible for advancing the USD(C)/CFO implementation efforts for large scale financial E2E business process and system adoption within the Department, including development, implementation and enforcement of Enterprise Data Standards; leading the development and implementation of DoD CFO's Financial Management Functional Strategy to drive alignment to meet the 21st century mission requirements and re-investment of savings to the core mission of the DoD, aligned to the National Defense Strategy. BPSM is also responsible for collaborating with and removing barriers from DoD, other federal, and industry stakeholders to develop more efficient interoperable systems, business processes, data standards, Government-wide Accounting best practices; and advocating for the USD(C)/CFO role for initiatives amongst relevant boards and committees.

B. The Directorate for Chief Financial Officer Data Transformation Office (CDTO) is responsible for advancing National Defense Strategy by making data widely accessible, understandable and usable across the Defense enterprise; helping the DoD translate common enterprise data into actionable insights, decisions and action; advancing analytics to support complex National Defense challenges. Additionally, CDTO is responsible for DoD enterprise data; managing the analytics shared service provider application called Advana; developing, implementing, and sustaining the financial management data strategy; managing the Universe of Transactions for the 4th Estate, Army, and Navy. CDTO is also responsible for sustaining cost management for financial management, human resources, information technology, real property, medical, acquisition, supply chain and maintenance; reconciling Fund Balance with Treasury for the 4th Estate; managing the performance measures for financial management; developing, implementing, and sustaining the Dormant Account Review Quarterly Process for the 4th Estate, Army, and Navy; and maintaining the NFR/CAP database.

C. The Directorate for Financial Improvement and Audit Remediation (FIAR) is responsible for oversight, management, performing liaison functions and helping DoD Components be audit ready; remediating findings, achieving post-audit sustainment, and developing and issuing a detailed Financial Improvement and Audit Remediation Plan that identifies financial process, system, and statement deficiencies and provides detailed corrective actions to address those deficiencies. Additional FIAR responsibilities include managing the Defense-wide Statement of Assurance process by monitoring and reporting the status of auditor and manager identified material weaknesses and corrective action plans; implementing the Federal Manager's Financial Integrity Act program for DoD to include OMB Circular A-123, Appendix A, "Management of Reporting and Data Integrity Risk;" managing the Improving Financial Performance Initiative of the President's Management Agenda; advocating for the USD(C)/CFO on various interagency forums and internal DoD councils, boards, committees, and external organizations as required, pertaining to audit readiness.

D. The Directorate for Financial Management Policy and Reporting (FMPR) is responsible for developing, promulgating, implementing, and interpreting DoD-wide accounting and finance policies; providing direct support to the USD(C)/CFO and Deputy CFO on various interagency forums; advocating for the USD(C)/CFO on various interagency organizations, and representing the USD(C)/CFO on various internal DoD councils, boards and committees pertaining to financial management policy. In addition, FMPR is responsible for providing oversight of, and performing liaison functions with, the DoD Components with respect to financial management operations, systems, responses to audit reports, policy clarifications, and other matters related to financial management; and administering this Regulation. The FMPR Directorate is also responsible for developing and issuing the DoD AFR (see paragraph 010303), oversight of the DoD-wide consolidated financial statements and notes, management of the DoD Improper Payments Program, and other external financial management reporting.

010703. Director, Defense Financial and Accounting Service

The Director of Defense Finance and Accounting Service (DFAS) is the principal DoD executive for finance and accounting requirements, systems, and functions under the authority and direction of the USD(C). In accordance with DoDD 5118.03 and DoDD 5118.05, DFAS must:

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

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

C. Provide professional finance and accounting services for DoD Components and other Federal agencies, as designated by the USD(C)/CFO.

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

E. Execute statutory and regulatory financial reporting requirements and provide financial statements, pursuant to 31 U.S.C. § 3515, **to include supporting customers' audit assertions and audit execution.**

F. Provide advice and recommendations to the USD(C)/CFO on finance and accounting matters and provide documentation that discloses the internal controls within DFAS-assigned systems that may impact customers' control environment in supporting auditability.

* G. **Coordinate on the establishment of all DoD finance and accounting activities independent of the DFAS and support the development and implementation of a compliant business solution with common business processes and data standards for horizontal end-to-end processes in the Business Enterprise Architecture.**

0108 DEPARTMENT OF DEFENSE COMPONENTS

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

*Figure 1-1: UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF FINANCIAL OFFICER STRUCTURE

