

VOLUME 6A, CHAPTER 2: “FINANCIAL REPORTS, ROLES AND RESPONSIBILITIES”

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 2017** is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Rearranged content for readability and removed duplicative verbiage.	Revision
020102	Revised authoritative financial reporting references to remove outdated Financial Improvement and Audit Readiness guidance and to include current sources of guidance published by the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer (OUSD(C)/CFO).	Revision
020201	Revised and removed duplicative financial reporting responsibilities to align with the OUSD(C)/CFO, “DoD Internal Control Over Financial Reporting Guide,” issued May 2018.	Revision
020202	Revised and removed duplicative financial reporting internal controls guidance to align with the OUSD(C)/CFO, “DoD Internal Control Over Financial Reporting Guide,” issued May 2018.	Revision
020204.A	Added references to the Department of Defense Instruction (DoDI) 5000.64, “Accountability and Management of DoD Equipment and Other Accountable Property,” the DoDI 4165.14, “Real Property Inventory and Forecasting,” and the “U.S. Government Accountability Office Financial Audit Manual,” related to the completion of periodic physical inventories.	Addition
020208.B.5.c	Added journal voucher (JV) subcategory to capture JVs modifying data to comply with reporting edits and validations.	Addition
020208.C.2.a	Clarified guidance concerning delegations of authority used to complete JV integrity reviews.	Addition
020208.C.2.b	Clarified the allowed methodologies used to complete JV quarterly quality and compliance reviews.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
020208.F	Clarified guidance used to assign JV categories for both manual and system-generated JVs, in response to Department of Defense Inspector General audit report, "The Defense Finance and Accounting Service Financial Reporting Process for Other Defense Organizations' General Funds," issued December 15, 2017.	Addition
020208.F.2	Added policy for data call JVs required by OUSD(C) memorandum, "Data Call Journal Vouchers to Be Migrated into the Accounting Systems," issued December 14, 2017.	Addition
020208.F.11	Added JV category to account for data imported from the Data Collection Module per the "Defense Departmental Reporting System – Audited Financial Statements User Manual."	Addition

Table of Contents

VOLUME 6A, CHAPTER 2: “FINANCIAL REPORTS, ROLES AND RESPONSIBILITIES” 1

0201 GENERAL 4

 020101. Purpose 4

 *020102. Authoritative Guidance 4

0202 RESPONSIBILITIES 5

 *020201. Stewardship and General Responsibilities 5

 *020202. Internal Controls 5

 020203. Audit Trails 6

 *020204. Reconciliation 7

 020205. Reporting Schedules 8

 020206. Draft Reports 8

 020207. Journal Voucher (JV) Adjustments 10

 *020208. JV Preparation 11

 Table 2-1. JV Approval Thresholds 14

 020209. Release of Reports 19

 020210. Certifications 19

CHAPTER 2

FINANCIAL REPORTS, ROLES AND RESPONSIBILITIES

0201 GENERAL

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 that present the financial effects of its operations.

A. The policies within this chapter apply to all DoD Components and include 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 [agreement](#) with DFAS, certain DoD Components which prepare their own financial reports (e.g., the Army Corps of Engineers), and organizations required to perform their own accounting due to security considerations.

B. In those instances in which DFAS does not have financial report preparation responsibility, the reporting entity will 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](#), "Financial Reporting Requirements." Volume 6B, "Form and Content of the Department of Defense Audited Financial Statements," contains those requirements.

*020102. Authoritative Guidance

This chapter prescribes the roles, responsibilities, and authoritative guidance for preparation and issuance of financial reports for DoD Components [in accordance with the reporting responsibilities and internal control provisions identified in:](#)

A. OMB Circular [A-123](#), "Management's Responsibility for Enterprise Risk Management and Internal Control;"

B. Office of the Under Secretary of Defense (Comptroller) (OUSD(C))/Chief Financial Officer (CFO) "[DoD Financial Statement Audit Guide](#)"; and

C. OUSD(C)/CFO "[DoD Internal Control Over Financial Reporting Guide](#)."

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 at a point in time. DoD Components and DFAS have responsibilities to ensure that financial information is accurate and timely in order for managers to make sound decisions and exercise proper stewardship over these resources. Refer to the “DoD Internal Control Over Financial Reporting Guide” for additional information on roles and responsibilities for internal controls over financial reporting.

*020202. Internal Controls

A. DoD Components. DoD Components will maintain or create internal controls to ensure that data input in DoD 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 input timely into the finance and accounting systems. Refer to the “DoD Internal Control Over Financial Reporting Guide” for additional internal controls applicable to DoD Components.

1. DoD Components will maintain or create controls to ensure actual or potential Antideficiency Act violations are reported, reviewed, and investigated in accordance with Volume 14, Chapter 2.

2. DoD Components will perform and document periodic reviews of system functionality to ensure controls are in place to verify the authorization of recorded transactions and compliance with the U.S. Government Accountability Office (GAO) “Federal Information System Controls Audit Manual” (*FISCAM*) framework.

3. DoD Components will comply with internal control policies contained in DoD Instruction (DoDI) 8510.01, “Risk Management Framework (RMF) for DoD Information Technology (IT);” Volume 1, Chapter 3; and the “DoD Internal Control Over Financial Reporting Guide.”

B. DFAS. DFAS will maintain or create controls to ensure that data provided by each DoD Component is recorded accurately and processed timely for financial reporting. Refer to the “DoD Internal Control Over Financial Reporting Guide” for additional internal controls applicable to DFAS reporting.

1. DFAS will maintain or create controls to ensure actual or potential Antideficiency Act violations are reported to DoD Components for their review and investigation in accordance with Volume 14, Chapter 2.

2. DFAS will perform and document periodic reviews of DFAS system functionality to ensure controls are in place to verify the authorization of recorded transactions and compliance with the FISCAM framework.

3. DFAS will maintain feeder files used in financial reporting from accounting systems of record ([component-controlled](#)), in accordance with records retention guidance contained in Volume 1, Chapter 9.

4. [DFAS will maintain](#) supporting documentation for corrections made to DoD Component submissions in intermediate edit systems as part of the audit trail for the reporting period. [DFAS will maintain](#) records to support adjustments to DoD Component submissions and assign transactions that fail to pass edits to DFAS or the DoD Component for research and correction.

5. DFAS will provide any adjustments made to DoD Component submissions so they can be recorded [by the DoD Component](#) in the accounting systems of record, if not already recorded in the accounting systems of record in the current or subsequent period, before the beginning of the next reporting cycle. DFAS and the DoD Component must make every effort to resolve any discrepancies prior to the end of the reporting period. DFAS and the DoD Components must track unresolved discrepancies for research and correction as soon as possible after the end of the reporting period.

6. [DFAS will comply with internal control policies contained in DoDI 8510.01; Volume 1, Chapter 3; and the “DoD Internal Control Over Financial Reporting Guide.”](#)

020203. Audit Trails

A. [DoD Components](#). DoD Components will maintain audit trails in sufficient detail, [including the rationale, justification, and approvals](#) to permit tracing of transactions and balances from their sources to their transmission to DFAS. Audit trails are necessary to demonstrate the accuracy, completeness, and timeliness of the 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 will clearly document processes and internal controls and maintain a complete and documented audit trail to support the reports it prepares. The organization that translates the information into an electronic mode will retain supporting documents or images of the supporting documents. DFAS will establish documented business rules and internal controls to ensure feeder file data is received, processed, and compiled in departmental reporting system output files.

1. DFAS will sufficiently document adjustments to DoD Component submissions [to assist approving officials and others, such as auditors, in understanding the reason for preparing the adjustment, and](#) to support the validity of adjustments prepared during the reporting period.

2. DFAS will ensure documentation is readily available as part of the audit trail for the reporting period. The documentation **must** be readily available for assisting auditors, and those involved in financial statement preparation, to understand how feeder file records are processed.

*020204. Reconciliation

Many financial balances (e.g., **general ledger (GL)** proprietary and budgetary accounts, such as assets, liabilities, commitments, and undelivered orders) require supporting subsidiary records to validate the amount of the financial balance. **Reconcile** subsidiary records to financial balances in accordance with the policies, requirements, and frequencies prescribed in **020204.A-B**.

* A. DoD Components

1. DoD Components maintain the supporting records for many financial balances. An individual authorized by each DoD Component will periodically validate the accuracy of such subsidiary records against applicable physical assets or other appropriate confirmations of the source documents. **DoD Components perform periodic physical inventories in accordance with DoDI 5000.64**, “Accountability and Management of DoD Equipment and Other Accountable Property,” for tangible equipment, and **DoDI 4165.14**, “Real Property Inventory (RPI) and Forecasting,” for real property. Validations must be documented, signed, and dated by the individual authorized by the DoD Component.

a. Various regulations require periodic counting, or another physical verification in the case of equipment, inventories, supplies and materials, and real property, depending upon the nature of the asset. Refer to Volume 1, Section 260, “Identify Risk Factors,” of the GAO **Financial Audit Manual (FAM)** for controls related to the completeness and accuracy of inventory records.

b. Periodic validation **and/or reconciliation** is required in the case of commitments, obligations, accounts receivable, and accounts payable. These validations will include the review of the documentary evidence that initiated the financial transaction to ensure the integrity of source data. **For additional information**, see Volume 3, Chapter 8.

2. Document and provide changes in the source data to DFAS for proper recording. The reconciliation of source data with reported balances is a joint responsibility of DFAS and the DoD Component.

B. DFAS

1. DFAS will establish procedures to ensure that all GL balances, and other associated financial balances, are **validated and/or** reconciled with supporting records, including source data, in accordance with DoD policy. See Volume 3, Chapter 8.

a. DFAS will establish and maintain supporting subsidiary detail transactions that are traceable and reconcile to reported financial statement balances. DoD Components will participate in the reconciliation process for these subsidiary records when the source documents, or transactions that require research to complete the reconciliation, are retained by the DoD Component.

b. When the DoD Component maintains accounting system and trial balance subsidiary records, DFAS will establish a reconciliation schedule, mutually agreed to by the DoD Component, and subject to approval by 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. DFAS will investigate unreconciled differences and document adjustments required to balance the GL amount and the amount of the subsidiary records with the rationale, justification, and approvals.

3. DFAS will perform reconciliations on a monthly basis, at a minimum, to determine the cause of differences and take appropriate corrective actions to ensure the accuracy and integrity of the accounting system and monthly reports when unreconcilable differences between the GL and the subsidiary records exceed \$1 million. Continue to perform monthly reconciliations until the unreconcilable difference is less than \$1 million.

4. DFAS will reconcile changes in source data, made by the DoD Component, with reported balances. The reconciliation of source data with reported balances is a joint responsibility of DFAS and the DoD Component.

020205. Reporting Schedules

A. DFAS will establish procedures requiring joint development of report preparation schedules with DoD Components according to the timeframes established by the Department of the Treasury Bureau of the Fiscal Service (*Fiscal Service*). DFAS and the DoD Components will work to resolve issues identified in the report preparation process according to the Fiscal Service schedule.

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

020206. Draft Reports

A. DoD Components. DoD Components will review DFAS reports to assess the accuracy of the financial information reported. The review will identify errors, omissions, and significant diversions from budgeted or planned amounts and levels of activity. The DoD Component will:

1. Research and propose adjustments to correct abnormal balances. A GL balance is abnormal when the reported balance does not comply with the normal debit or credit balance established in the [DoD Standard Reporting Chart of Accounts](#). DoD Components will establish and maintain supporting documentation for requested adjustments to financial reports and provide the support to DFAS;

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

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

4. Not change draft reports provided by DFAS or release the reports to external recipients. For errors or omissions identified in a draft report, submit a request to DFAS to revise the report and include changes in the final report; and

5. Validate reports created within their ERP systems. DoD Components will 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 correct;

c. Abnormal account balances, such as negative balances or unusual amounts, are researched and resolved, if possible. If unresolved, include comprehensive explanations identifying root causes and the timeline for resolution; and

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

B. DFAS. DFAS will validate reports to ensure reported amounts agree with the official accounting records prior to release to DoD Components for review and approval or release to external recipients. DFAS will 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 correct;

3. Abnormal account balances, such as negative balances or unusual amounts, are researched and resolved, if possible. If unresolved, include comprehensive explanations identifying root causes and the timeline for resolution;

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

5. Unusual trends and comparisons with the prior year and/or prior period amounts are identified and called to the attention of the DoD Component.

C. OUSD(C). Refer DoD Component-proposed changes to the draft reports, with which DFAS does not concur, to the OUSD(C) Directorate with oversight responsibility for the subject matter, for adjudication before the end of the current reporting cycle. The DoD Component, or DFAS, may submit requests for adjudication through their reporting chain of command to OUSD(C).

020207. Journal Voucher (JV) Adjustments

A. JVs are all adjustments recorded in system transaction registers and the GL identifying summary-level adjustments to the GL. JVs 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. JVs do not include transactions and processes used to record detail amounts in subsidiary ledgers as standard business transactions.

B. Either DFAS or the DoD Components may identify the need to make adjustments. Both DFAS and DoD Components will support adjustments with sufficiently detailed written documentation to provide an audit trail to the source transaction(s) that require the adjustments. The documentation will include the rationale and justification for the adjustment, the dollar amount of errors or conditions related to the transaction(s) or record(s) proposed for adjustment, the date of adjustment, and the name and position of the individual approving the adjustment. The documentation must be readily available in one or a combination of the following media: hardcopy, systemically stored electronic records, or electronic files maintained in an external system or location.

1. DoD Components. When, during the 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 will be included as part of the financial information used to produce final report balances.

2. DFAS. When DFAS identifies a required adjustment to the official accounting records of a DoD Component, it will refer the proposed adjustment to the DoD Component who will review and approve the adjustment. DFAS must document proposed adjustments to DoD Component submissions and provide supporting documentation. DoD Components must respond with approval or disapproval for proposed adjustments within reporting cutoff dates for the relevant period. The following paragraphs provide the exceptions to this policy.

a. When DFAS makes an adjustment of less than \$1 billion 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 prior referral to the affected DoD Component. Examples of corrections that 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; and

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

b. DFAS will notify DoD Components at least once each month of the reports impacted, total amounts, types, and categories of reasons for adjustments made without prior referral to the DoD Component under circumstances specified in the preceding paragraph and provide corrected reports if applicable. DFAS will keep adequate records of all such notifications and DFAS and the DoD Component will work together to record adjustments made by DFAS in the accounting systems of record before the beginning of the next reporting cycle.

*020208. JV Preparation

A. General. Proper preparation of, and adequate support for, JVs is important to ensure they accurately record accounting, financial, or other GL-related events and that documentation for a detailed audit trail exists. Unadjusted GL account balances represent the listing of GL account balances at the end of the reporting period, before period-end adjusting JVs are recorded. In various level financial reporting systems, the unadjusted GL balances reported are summaries of transaction data used to record specific homogeneous types of transactions and balances that aggregate to specific classifications on the financial statements. Use JVs to process monthly, quarterly, and annual adjustments to unadjusted GL account balances in the field and higher-level accounting and reporting systems.

1. All summary-level entries included in system transaction registers identifying adjustments to the GL are considered JVs for the purposes of this chapter and must be adequately documented to support the validity of the transactions. In accounting systems of record, manual adjustments to the GL are considered JVs. Transactions and processes used to record detail amounts in subsidiary ledgers are not considered JVs.

2. Proper preparation of, and adequate support for, JVs is the responsibility of DFAS and the DoD Components. Memorandum-style entries to the GL, affecting neither Fiscal Service-level reporting nor subordinate records, are not considered JVs for the purposes of this chapter.

B. Appropriate Uses of JVs. JVs have the following primary uses within DoD.

1. Correcting Entries. Correcting entry JVs adjust for errors identified during the reports review process. This entry includes specific amounts, accounts, and/or transactions related to the required correction. If possible, the JV supporting documentation will note the required steps in the process to prevent the need for similar adjustments in future periods.

a. In some cases, correcting entries are required to adjust for errors on previously prepared JVs. In those instances, correcting entries **will** both reverse the effect of incorrect entries and record the correct amount.

b. In some cases, both entries can be made with one JV and a single set of supporting documentation. Regardless of whether a single JV or multiple JVs are prepared, the correcting JV will 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 GL account. The source entry accounting transaction will 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, 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 **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 will include documentation of the effect of the detailed transactions and identify the location of the transaction level supporting detail.

4. System-Generated Entries. For the purposes of this chapter, system-generated JVs are all system-generated and controlled entries included in system transaction registers identifying summary-level adjustments to the GL. **Examples of system-generated entries include system-performed period-end closing entries, consolidations, and entries to bring GL accounts into balance at specified periods of times during the financial reporting process. System-generated JVs do not include the automation of JVs previously recorded manually.** Reporting entities will document and retain system-generated entries adjusting reported amounts to final reported balances in the financial statements. Such system-generated entries must be maintained and available upon request to support the audit trail for the reporting period. Reporting entities must maintain adequate documentation, audit trails, and internal controls over these types of adjustments and review such automated events as part of system controls and table maintenance. System-generated JVs do not include transaction input or processes establishing detail amounts recorded in subsidiary ledgers.

5. Subcategories. Further separate correcting and source entry JVs into the following subcategories:

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

b. DoD Component Requested JVs. When a DoD Component requests an adjustment that complies with the JV [definition in 020207.A](#), a JV will be prepared. In addition, the JV will 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 DoD Component's request serving as the basis for the adjustment. The DoD Component's JV request to DFAS will include supporting records and related analysis. A request for a JV entry that is not properly authorized or supported by accurate or proper documentation will be returned to the JV requestor with an indication of what additional information is required to process it, along with any applicable authoritative guidance.

* c. Edits and Validations. Reporting entities record JVs modifying report submissions to comply with edits and validations designed to improve the accuracy of financial reporting. [Section VII](#) of the Treasury Financial Manual United States Standard General Ledger (USSGL) contains a listing of Governmentwide Treasury Account Symbol Adjusted Trial Balance System validations and edits.

C. Internal Controls. OMB Circular A-123 identifies operational internal controls to ensure JVs are recorded properly. These controls will be in place for all transactions included in system transaction registers identifying summary-level adjustments to the GL. These controls do not apply to transaction input or processes establishing detail amounts recorded in subsidiary ledgers.

1. JVs may be prepared at the installation (execution) or departmental (reporting) level and must be:

a. Systematically tracked and reflected in a JV log. Reporting entities must implement controls to ensure JVs are tracked and readily available for audit;

b. Categorized by each of the applicable categories listed in subparagraph 020208.F;

c. Reviewed and validated to ensure the transaction utilizes the correct accounts and posts correctly;

d. Documented to support the validity and the amount of the JV transaction. The documentation requirement applies to all transactions included in system transaction registers identifying [summary-level](#) adjustments to the GL;

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 approving JVs will vary by the dollar amount of the voucher as shown in Table 2-1. The dollar amount for each JV is the sum of the [absolute value of the debit side](#) entries on that voucher;

(1) The approving officials listed in Table 2-1 provide a framework for approving JVs based on identified thresholds. Reporting entities may adapt the approving officials identified based on the entity's organizational structure. 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, unless other DoD Component approval thresholds with lower dollar values are established in memorandums of understanding between DFAS and a DoD Component, all JVs over \$1 billion will be coordinated with the affected DoD Component.

(2) 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 subparagraph 020208.C.2;

Table 2-1. JV Approval Thresholds

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	Site Director

f. Processed under procedures that ensure the separation of duties for preparing, approving, recording or posting, and validating to the maximum extent possible. The preparer and approver cannot be the same person;

g. Annotated with the name, title, and office symbol of currently authorized preparers, reviewers ([if used](#)), and approvers. In an electronic environment, the name, title, and office symbol may be represented by user identification;

h. Maintained and readily available in hard copy, electronic form, or a combination if there is a manual approval of an automated system JV. All [manual](#) JVs must be documented, approved by the appropriate level, readily available, and in compliance with

published guidance. Manual JVs include the automation of JVs previously recorded manually; and

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

2. Maintain adequate managerial internal controls 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 will entail the following:

* a. Within 10 workdays after the accounting centers' issuance of quarterly financial statements for the first through third quarters, 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. A fourth quarter review must take place prior to submission of the Agency Financial Report to OMB (no later than November 15). If the approving official, at the levels of authority designated in Table 2-1, is unavailable to perform the integrity review, an individual having the appropriate accounting knowledge and expertise, and who was not a delegated approver, can perform the integrity review on behalf of the approving official. This individual must be appointed in writing by the approving official.

* b. Within 30 calendar days of the issuance of the financial statements, whether quarterly or annually, the DFAS Director for Accounting (or designee) must perform a quarterly quality and compliance review after submission of the quarterly and annual reports to OUSD(C). Conduct the review on a random sample of all JVs to determine if JVs are correctly prepared and processed, adequately described and supported, and approved at the proper managerial level within the limitations set forth in subparagraph 020208.C.1.e.1. The Director of Accounting (or designee) may substitute monthly reviews in place of the quarterly review. The review must be conducted by an entity outside the immediate office that created the JV. The entity conducting the review must have sufficient auditing expertise to perform the review and must sign, date, and retain documentation to support the completed review.

(1) Conduct the review in accordance with Volume 1, Section 450, "Perform Sampling Control Tests," of the FAM. The FAM provides guidance pertaining to acceptable sample sizes and error rates for typical internal control samples. Figure 450.1, "Sample Sizes and Acceptable Numbers of Deviations," of the FAM includes tables to compute the acceptable number of deviations for testing controls. Within DoD, compute the acceptable number of deviations using a 90 percent confidence level and a 5 percent tolerable error rate. When the tolerable error rate is exceeded, review current JV procedures for possible revision to ensure compliance;

(2) Identify and correct errors and notify the affected DoD Component as necessary. Identify root causes and implement corrective actions as appropriate. If errors materially impacted the financial statements, evaluate the need to restate/reissue the financial statements;

c. The internal review office must conduct an assessment of the organization's JV processing procedures, in accordance with OMB Circular A-123, to ascertain if JVs are properly prepared and supported. Volume 1, Chapter 3, discusses the necessity and importance of independent reviews.

d. DoD Components must perform a compliance review of JVs within their accounting systems to ascertain if the JVs are correctly prepared and processed, adequately described, supported, and approved at the proper managerial level at least on a quarterly basis.

D. Critical Elements. Critical elements are items that, if reported incorrectly for financial reporting purposes, would have a direct effect on the amounts presented on the financial statements. Reporting fields deemed critical must be populated in order to provide sufficient information for the approving official and others, such as auditors, to understand the reason for preparing the JV, determine if it is proper and accurate, and identify whether the JV entries are supported or unsupported by subsidiary records. This paragraph outlines critical elements for most JV categories and applies to JVs recorded in all systems. Additional items may be deemed critical depending on the category of adjustment being made. At a minimum, JVs will include items listed in subparagraphs 020208.D.1-5.

1. Correct Appropriation/Accounting Data. JVs will contain accurate financial information in order to populate the required input fields for entry into the accounting/financial reporting systems.

2. Balanced Adjustments. JV debits and credits will equal and reflect correct dollar amounts.

3. Approvals. JVs will contain required approvals according to the thresholds outlined in subparagraph 020208.C.1.e.

4. Documentation. JVs will include adequate documentation, with cross-referencing to other documentation (hard copy or electronic form), to support the validity and amount of the transaction. Attach supporting documentation to the JV as described in subparagraph 020208.E.

5. USSGL. JVs will contain valid GL accounts to record the adjustments. Approved DoD postings (transactions) are available at the DoD USSGL Transaction Library.

E. Documentation. Proper documentation in hard copy, electronic form, or a combination of both is necessary to support all JV entries. JV documentation will include reporting elements deemed critical to assess the accuracy and completeness of financial information, applicable criteria to support the rationale for preparing the adjustment, Treasury Account Symbol(s) or entity code(s) impacted, and the calculation of the dollar amount of the adjustment. Maintain clear documentation of the JV preparer, reviewer (if used), and approver(s) with the JV documentation. Attach supporting documentation 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 summarized on it. In those cases, attach specific and detailed information summarizing the content and identifying the location of the supporting documentation to the JV.

* F. JV Categories. Regardless of the method of documentation used for the JVs, the dollar amount(s) on the JVs must be clearly and readily identifiable within the supporting documentation for the categories in subparagraphs 020208.F.1-11. **Both manual and system-generated JVs require the use of JV categories.**

1. Category A — Reversing Entries for Prior Reporting Period. JVs will 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. Prepare JVs to record the summarized data call amounts in these situations in the GL trial balance. Support the data call entry with documentation for the summarized amount and identify the source or location of the transaction level supporting detail and/or information for the entry. **To the maximum extent possible, reporting entities will eliminate data call JVs in the Defense Departmental Reporting System (DDRS) and record properly supported JVs closer to the underlying source transaction. This practice enhances accuracy and accountability, reduces errors, and places JV ownership with the organization responsible for the underlying transaction.** Examples of data call entries include property, plant and equipment; operating materials and supplies; environmental liabilities; contingent liabilities; and employee benefit data. **This category does not include JVs produced by the Data Collection Module; see subparagraph 020208.F.11.**

3. Category C — Balancing Entries for Eliminations. When the duly authorized official has determined that entries are necessary to balance buyer side data with seller side data, a correcting JV will be prepared prior to eliminating selected intragovernmental accounts. The documentation will include the appropriate worksheets that show in detail the seller side data received, the buyer side control values requiring adjustment, and the calculation of the adjustment amount. The supporting documentation for these JVs will also include a narrative that summarizes the procedures used to make buyer side adjustments. Refer to Volume 6B, Chapter 13 for guidance on eliminations.

4. Category D — Recognition of Undistributed Disbursements and Collections. Undistributed disbursements and collections represent the difference between the amount of disbursements and collections reported to DFAS centers by the Department of the Treasury finance network and the amount of disbursements and collections recorded by the operating level activities. Record entries to adjust an entity's Fund Balance with Treasury, as reported, for the amount of supported undistributed disbursements and collections reported in the departmental expenditure system.

a. The proper supporting documentation for this 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, obtain the detailed transaction level amounts from the transmittal source when the amounts become available.

b. 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. Make JV entries in this category 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. Consider trial balances or other source data correct and only adjust to budget execution data in instances where budget execution data is determined to be more accurate. The JV will 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 will be prepared when the duly authorized official has determined that inventory values for supply management activities need adjustment from the standard price to approximate historical cost. The supporting documentation will include appropriate references to Volume 4, Chapter 4 "Inventory and Related Property" and a clear explanation of the method used to value inventory and cost of goods sold.

7. Category G — Reclassification of Accounts. A correcting JV will be prepared to crosswalk data from installation level accounts to the 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. Target systems are required to report using the DoD Standard Reporting Chart of Accounts and Standard Financial Information Structure. The supporting documentation will 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 JV will 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 authorized official has determined that a reconciliation of data supporting two different reports is not possible. Evidence to support this type of JV will 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 will include a narrative explaining the basis for the accrual and any subsequent reversal.

* 11. Category M — Data Collection Module (DCM). The DDRS - DCM JV records data call amounts from DCM. Supporting documentation for Category M JVs includes documentation for the summarized amounts and identification of the source or location of the transaction-level supporting detail and/or information for the entry. To the maximum extent possible, reporting entities will eliminate data call JVs in DDRS and record properly supported JVs closer to the underlying source transaction. This practice enhances accuracy and accountability, reduces errors, and places JV ownership with the organization responsible for the underlying transaction.

020209. Release of Reports

A. DoD Components. DoD Components will approve draft annual reports and return those reports to DFAS for appropriate revision, validation, and distribution as final reports. The DoD Components will not release any reports, including monthly recurring reports, such as budget execution reports, to any organization external to the DoD Components. Only DFAS will release such reports. Volume 6B, Chapter 2 contains the requirements for the audited and interim financial statements.

B. DFAS. DFAS will validate all final reports using the official accounting records prior to release to their intended recipients. The release of reports occurs 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 an organization represented by the financial information in a financial statement or report and 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 can also be at a DoD Component level.

1. The reporting entity, rather than DFAS, is responsible for annual certifications required in the implementation of [Title 31, United States Code, section 1501\(a\)](#). See Chapter 4, [“Appropriations and Fund Status Reports,”](#) for additional information related to year-end reporting.

2. Reporting entities having working capital funds are responsible for signing the [Accounting Report \(Monthly\) \(AR\(M\)\) 1307, Defense Working Capital Fund Accounting Report](#) addressed in Chapter 15.

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

1. Assurances and certifications, when requested, to the reporting entity regarding the quality of 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 AR(M) 1307, which the DoD Component is required to sign. Volume 6B, Chapter 2 contains the requirements for the audited and interim financial statements; and

3. A certification provided by the chief of the applicable reports section confirming accuracy of the balances reported on the AR(M) 1307.