SUMMARY OF MAJOR CHANGES TO
DOD 7000.14-R, VOLUME 6B, CHAPTER 11
“REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION REPORTING”

All changes are denoted by blue font.
Substantive revisions are denoted by a ★ proceeding the section, paragraph, table or figure with the substantive change or revision.

Hyperlinks are denoted by underlined, bold italic fonts.

<table>
<thead>
<tr>
<th>PARA</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>Reworded and reformatted chapter for clarity due to significant changes in Required Supplementary Stewardship Information (RSSI) reporting. Added electronic links.</td>
<td>Update</td>
</tr>
<tr>
<td>1101</td>
<td>Deleted all references to “Stewardship Categories” and modified language since only one of the original three RSSI categories remain.</td>
<td>Delete/ Update</td>
</tr>
<tr>
<td>1102</td>
<td>Deleted section covering National Defense Property, Plant and Equipment (NDPP&amp;E) in accordance with Office of Management and Budget (OMB) Circular A-136. Included a new paragraph on Stewardship Investments and renumbered subsequent paragraphs. Added information to clarify role of RSSI. Consolidated and clarified text related to reporting limitations in the “existing” environment. Current RSSI data measurement relies on “outlays” versus the “full cost” goal.</td>
<td>Delete/ Update</td>
</tr>
<tr>
<td>Multiple</td>
<td>Deleted RSSI reporting of NDPP&amp;E to conform with OMB Circular A-136 guidance.</td>
<td>Delete</td>
</tr>
<tr>
<td>Multiple</td>
<td>Deleted RSSI reporting of Heritage Assets (HA) and Stewardship Land (SL) to conform with OMB Circular A-136 guidance. The HA and SL reporting has transitioned to Chapter 12, Required Supplementary Information (RSI).</td>
<td>Delete</td>
</tr>
<tr>
<td>110504</td>
<td>Deleted guidance to exclude cash grants from Nonfederal Physical Property RSSI reporting. Federal GAAP only excludes the portion of the grant related to maintenance/operations.</td>
<td>Delete</td>
</tr>
<tr>
<td>1106</td>
<td>Paragraph renumbered as 1104 and renamed “Research and Development” to align with OMB Circular A-136.</td>
<td>Update</td>
</tr>
<tr>
<td>Figures 11-1 and 11-2</td>
<td>Deleted Figures 11-1 and 11-2 from the July 2003 version and renumbered remaining Figures accordingly. Placed Figures at the end of the chapter to standardize presentation.</td>
<td>Delete/ Update</td>
</tr>
<tr>
<td>Figure 11-1</td>
<td>Included Summary of Minimum Stewardship Reporting Requirements.</td>
<td>Add</td>
</tr>
<tr>
<td>Figures 11-2 and 11-3</td>
<td>Modified report headings and columns to standardize basis of comparison.</td>
<td>Update</td>
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CHAPTER 11

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION REPORTING

★1101  GENERAL

110101. Purpose. This chapter provides the Department of Defense (DoD) guidance and instructions for preparing and reporting Required Supplementary Stewardship Information (RSSI). The stewardship objective of Federal financial reporting requires DoD to report on its stewardship over certain resources entrusted to it that cannot be measured in traditional financial reports. These resources do not meet the criteria for assets and liabilities that are required to be reported in the financial statements but are important to understanding the operations and financial condition of DoD at the date of the financial statements and in subsequent periods.

110102. Scope. All Federal agencies are required to report RSSI. Certain stewardship investments have been designated as RSSI and are defined in the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements (Circular A-136).

★1102  STEWARDSHIP INVESTMENTS

110201. Description. Stewardship investments are substantial investments made by DoD for the benefit of the nation but are not physical assets owned by DoD. These items merit special treatment so that users of DoD’s financial reports know the extent of investments that have been made for long-term benefit to the public.

110202. Measurement. Stewardship investments are comprised of and should be measured in terms of expenses incurred for: (1) federally financed but not federally owned physical property (Nonfederal Physical Property); (2) certain education and training programs (Human Capital); and (3) federally financed research and development (Research and Development).

110203. Minimum Reporting Requirements. Figure 11-1 provides a summary of DoD’s minimum reporting requirements for investments in nonfederal physical property and research and development. DoD is not required to report Human Capital investments. More detailed reporting requirements for nonfederal physical property and research and development are discussed in paragraphs 1103 and 1104, respectively.

A. The costs associated with these investments are treated as expenses in the financial statements in the year the costs are incurred. Depending on the nature of the resources, stewardship reporting could consist of financial or nonfinancial data.

B. Existing DoD financial systems are, for the most part, not yet capable of fully supporting Federal Generally Accepted Accounting Principles (GAAP) reporting requirements for RSSI. Federal GAAP requires RSSI to be reported at the full cost of the annual...
investment in nonfederal physical property and research and development. Full cost as defined by the *Statement of Federal Financial Accounting Standards (SFFAS) No. 8, Supplementary Stewardship Reporting* includes appropriate accrual adjustments, general and administrative overhead, and a share of the cost of facilities.

C. DoD reporting entities shall report RSSI on the basis of annual outlays rather than expenses until their accounting systems fully support the Federal GAAP reporting requirements.

★1103 NONFEDERAL PHYSICAL PROPERTY

110301. General. Nonfederal physical property investments are expenses included in calculating net cost incurred by the reporting entity for the purchase, construction or major renovation of physical property owned by state and local governments. Include costs identified for major additions, alterations and replacements, purchases of major equipment, and purchases or improvements of other nonfederal assets. RSSI reporting of nonfederal physical property shall include federally-owned physical property transferred to state and local governments. Grants for maintenance and operations are not considered investments for the purposes of RSSI reporting.

110302. Reporting Requirements

A. Annual RSSI reporting of nonfederal physical property will be provided for the current fiscal year and each of the four preceding fiscal years. Reporting of data for additional years is encouraged if such data would provide a better indication of investment. Annual RSSI reporting of nonfederal physical property shall include a description of federally-owned physical property transferred to state and local governments.

B. In some cases, the required information is not available because the DoD Components have maintained records on the basis of outlays rather than expenses. It may be impractical for some DoD Components to reconstruct their accounts on the basis of expense data. The investment in nonfederal physical property costs reflected in this report shall be derived from alternative financial sources of the highest quality until existing DoD financial systems readily support RSSI nonfederal physical property reporting. The DoD Components shall continue to report historical data on an outlay basis for any years for which reporting is required and for which expense data are not available.

C. Reporting shall be at a meaningful category or program level. The report format shown in Figure 11-2, identifies National Defense Mission Related as the most probable category. Additional information may be provided in the narrative statement accompanying the nonfederal physical property information if the costs are significant and warrant individual disclosure.

D. Reporting shall include a description of the categories or programs involving investments in nonfederal physical property, as well as a description of programs or policies under which noncash assets are transferred to state and local governments.
110303.  **Reporting Format.** The Nonfederal physical property information shall be disclosed in the report format found in Figure 11-2. The columns in the report shall provide the following information:

A. **Column (a).** Classify assets as either transferred or funded. Transferred assets are assets that have a physical existence (e.g., buildings or land), as opposed to monetary existence (funds). Funded assets result from DoD payments (funding the acquisition of an armory), as opposed to providing physical assets.

B. **Columns (b), (c), (d), (e), and (f).** Report the investments in physical property owned by state and local governments by fiscal year. Reported amounts shall be expressed in millions of dollars and represent costs incurred for that fiscal year column only. Investments in nonfederal physical property are not reported on a cumulative basis. Report the investments for the current fiscal year (CFY) in column (b). The four preceding fiscal years should be reported in the following sequence: column (c) will contain investments from the prior fiscal year (CFY-1); column (d) will contain investments from (CFY-2); column (e) will contain investments from (CFY-3); and column (f) will contain investments from (CFY-4).

C. **Narrative Statement.** A narrative statement shall be included in the report and shall contain a description of the categories and programs. The statement shall include a description of programs or policies under which noncash assets are transferred to state and local governments. When the value of the assets differs materially from the expense reported, the narrative statement will address this difference. For example, discuss material differences between the fair market value and historical cost of base closure assets.

D. The report shall also include the following verbatim statement:

“Investment values included in this report are based on nonfederal physical property outlays (expenditures). Outlays are used because current DoD systems are unable to capture and summarize costs in accordance with the Federal GAAP requirements.”

★1104  **RESEARCH AND DEVELOPMENT**

110401.  **General.** Investments in research and development are incurred in the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new or improved products and processes with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits. DoD uses Research, Development, Testing and Evaluation (RDT&E) budget activities to fulfill the reporting requirements for Research and Development RSSI. The RDT&E budget activities are broad categories reflecting different types of RDT&E efforts further described in Volume 2B, Chapter 5 of this Regulation.

110402.  **Reporting Requirements.**

A. The DoD Components shall report RDT&E investments for the fiscal year ended in this reporting period, as well as the investments in the four preceding fiscal years.
Reporting of data for additional years is encouraged if such data would provide a better indication of the investment.

B. In some cases, the required information is not available because the DoD Components have maintained records on the basis of outlays rather than expenses. It may be impractical for some DoD Components to reconstruct their accounts on the basis of expense data. The Research and Development RSSI costs reflected in this report shall be derived from alternative financial sources of the highest quality until existing DoD financial systems readily support Research and Development RSSI reporting. The DoD Components shall continue to report historical data on an outlay basis for any years for which reporting is required and for which expense data are not available.

C. Research and Development RSSI costs shall be derived from RDT&E outlays reported in the budget execution reports entitled “Appropriation Status by FY Program and Subaccounts (ACCT RPT(M) 1002)” until DoD financial systems support RSSI reporting requirements. The reporting format of this report is found in Volume 6A, Chapter 4 of this Regulation. Costs for each year shall represent total outlays (expenditures) against all outstanding appropriations paid during the reporting period.

110403. Reporting Format. The research and development information shall be presented in the report format found in Figure 11-3. The columns in the report shall provide the following information:

A. Column (a). List the research and development RSSI categories and subcategories in the same order described in paragraph 110403.C. of this chapter. Additional meaningful category or program information may be provided in the narrative statement when appropriate.

B. Columns (b), (c), (d), (e), and (f). Reported amounts shall be expressed in millions of dollars and represent costs incurred for that fiscal year column only. Investments in research and development are not reported on a cumulative basis. Report the investments for the current fiscal year (CFY) in column (b). The four preceding fiscal years should be reported in the following sequence: column (c) will contain investments from the prior fiscal year (CFY-1); column (d) will contain investments from (CFY-2); column (e) will contain investments from (CFY-3); and column (f) will contain investments from (CFY-4).

C. Narrative Statement. A statement shall be included in the report following the table and include specific narrative:

1. A verbatim statement explaining each type of Research and Development Category and Subcategory:

   a. “Basic Research is the systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications, processes, or products in mind. Basic Research involves the gathering of a fuller knowledge or understanding of the subject under study. Major outputs are scientific studies and research papers.”
b. “Applied Research is the systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met. It is the practical application of such knowledge or understanding for the purpose of meeting a recognized need. This research points toward specific military needs with a view toward developing and evaluating the feasibility and practicability of proposed solutions and determining their parameters. Major outputs are scientific studies, investigations, and research papers, hardware components, software codes, and limited construction of, or part of, a weapon system to include nonsystem specific development efforts.”

c. “Development takes what has been discovered or learned from basic and applied research and uses it to establish technological feasibility, assessment of operability, and production capability. Development is comprised of five stages defined below:

(1) Advanced Technology Development is the systematic use of the knowledge or understanding gained from research directed toward proof of technological feasibility and assessment of operational and productibility rather than the development of hardware for service use. Employs demonstration activities intended to prove or test a technology or method.

(2) Advanced Component Development and Prototypes evaluates integrated technologies in as realistic an operating environment as possible to assess the performance or cost reduction potential of advanced technology. Programs in this phase are generally system specific. Major outputs of Advanced Component Development and Prototypes are hardware and software components, or complete weapon systems, ready for operational and developmental testing and field use.

(3) System Development and Demonstration concludes the program or project and prepares it for production. It consists primarily of preproduction efforts, such as logistics and repair studies. Major outputs are weapons systems finalized for complete operational and developmental testing.

(4) RDT&E Management Support is support for installations and operations for general research and development use. This category includes costs associated with test ranges, military construction maintenance support for laboratories, operation and maintenance of test aircraft and ships, and studies and analyses in support of the R&D program.

(5) Operational Systems Development is concerned with development projects in support of programs or upgrades still in engineering and manufacturing development, which have received approval for production, for which production funds have been budgeted in subsequent fiscal years.”

2. A description of significant accomplishments for two programs in each of the three major categories (Basic, Applied, and Development - a total of six programs). The programs selected for discussion should be significant in terms of the use of resources, have significant visibility and have a high impact to the warfighter. As an introductory statement, the
following disclosure should be included verbatim “The following are two representative program examples for each of the above major categories.”

3. Outputs or outcomes, whichever is available:

   a Output. When available, significant and substantial scientific outputs shall be presented as a tabulation, calculation, or recording of activity or effort that can be expressed in an aggregated and brief quantitative or qualitative manner. Outputs shall have two key characteristics: (a) an output shall be systematically or periodically captured through an accounting or management information system, and (b) there shall be a logical connection between the reported measure and purpose of the RDT&E program. In RDT&E programs, this could consist of data for the year concerning the number of new projects initiated, the number continued from the prior year, the number completed and the number terminated. It also could consist of such quantitative measures as bibliometrics (e.g., publication counts, citation counts and analysis, and peer evaluation); patent counts and analysis; and science indicators that assess the ongoing vitality of the research.

   b Outcome. When available, outcomes shall be presented in an aggregated and brief manner as an assessment of the results of a program compared to its intended purpose. Because of the difficulty of measuring the results of research and development programs in financial, economic, or quantitative terms, outcome data for such programs shall consist of a narrative discussion of the major results achieved by the program during the year. Outcome information should be concisely written in a plausible manner for judging the extent to which the program is achieving its purpose.
### INFORMATION REPORTED

<table>
<thead>
<tr>
<th>NONFEDERAL PHYSICAL PROPERTY</th>
<th>RESEARCH AND DEVELOPMENT</th>
</tr>
</thead>
</table>

1. **Annual investment by category or level** *
   - Include full cost of the investment made for the current year, including description of Federal property transferred to state and local governments, and the preceding 4 years. Report additional years of data if it provides a better indication of investment.

2. **Description of major programs**
   - Describe major programs involving Federal investments, including description of programs or policies under which non-cash assets are transferred to state and local governments.

* The DoD Components shall continue to report historical data on an outlay basis for any years for which reporting is required and for which expense data are not available.

## Summary of Minimum Stewardship Reporting Requirements

### Figure 11-1

<table>
<thead>
<tr>
<th>Categories</th>
<th>(a) CFY</th>
<th>(b) CFY-1</th>
<th>(c) CFY-2</th>
<th>(d) CFY-3</th>
<th>(e) CFY-4</th>
</tr>
</thead>
</table>

- **Transferred Assets:**
  1. National Defense Mission Related

- **Funded Assets:**

**Total**

## Nonfederal Physical Property Format

### Figure 11-2
## INVESTMENTS IN RESEARCH AND DEVELOPMENT

Yearly Investment in Research and Development
For the Current and Four Preceding Fiscal Years
(In Millions of Dollars)

<table>
<thead>
<tr>
<th>Categories</th>
<th>(a)</th>
<th>(b)</th>
<th>(c)</th>
<th>(d)</th>
<th>(e)</th>
<th>(f)</th>
</tr>
</thead>
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<tr>
<td></td>
<td></td>
<td>CFY</td>
<td>CFY-1</td>
<td>CFY-2</td>
<td>CFY-3</td>
<td>CFY-4</td>
</tr>
<tr>
<td>1. Basic Research</td>
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<tr>
<td>2. Applied Research</td>
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<tr>
<td>3. Development</td>
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<tr>
<td>Advanced Technology Development</td>
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<tr>
<td>Advanced Component Development and Prototypes</td>
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<tr>
<td>System Development and Demonstration</td>
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<tr>
<td>Research, Development, Test and Evaluation</td>
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<td>Management Support</td>
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<td>Operational Systems Development</td>
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<td>Totals</td>
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### Research and Development Format

*Figure 11-3*