

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

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also 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 [January 2020](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reformatted chapter and updated hyperlinks to comply with current administrative instruction.	Revision
3.2.3.1 (010302.C.1)	Added guidance requiring all budgetary and proprietary transactions be in compliance with the Standard Financial Information Structure, and are readily available for audit purposes.	Addition
3.4 (010304)	Added guidance related to the roles and responsibilities of the Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD(C)/CFO) pertaining to budget execution in accordance with DoD Directive 5118.03.	Addition
4.0 (0104)	Added guidance from Title 10, United States Code, section 2222 to inform readers of the responsibilities shared by the CFO and the Chief Management Officer surrounding Financial Management Defense business systems.	Addition
7.0 (0107)	Added information pertaining to a new Directorate within the Deputy Comptroller (Program/Budget).	Addition
	Deleted the information pertaining to the Business Processes and Systems Modernization Directorate, and added the Focus Leadership Execution Team information.	Revision
	Added the role of the Director, Defense Contract Audit Agency along with agencies responsibilities and functions.	Addition
Figure 1-1	Updated the Under Secretary of Defense (Comptroller)/CFO Structure.	Revision

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CHAPTER 1

CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE

1.0 GENERAL (0101)

1.1 Purpose (010101)

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.

1.2 Authoritative Guidance (010102)

The CFO establishment, roles, responsibilities, and authority prescribed in this chapter are in accordance with [the applicable provisions of the following sources](#):

1.2.1. Title 10, United States Code, section 192 ([10 U.S.C. § 192](#)), “Defense Agencies and Department of Defense Field Activities: oversight by the Secretary of Defense”;

1.2.2. [10 U.S.C. § 2222](#), “Defense business systems: business process reengineering; enterprise architecture; management”;

1.2.3. [31 U.S.C. § 3515](#), “Financial statements of agencies”;

1.2.4. [31 U.S.C. § 901](#), “Establishment of agency Chief Financial Officers”;

1.2.5. [31 U.S.C. § 902](#), “Authority and functions of agency Chief Financial Officers”;

1.2.6. [31 U.S.C. § 903](#), “Establishment of agency Deputy Chief Financial Officers”;

1.2.7. DoD Directive ([DoDD](#)) [5105.36](#), “Defense Contract Audit Agency”;

1.2.8. [DoDC 5118.03](#), “Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense (USD(C)/CFO)”;

1.2.9. [DoDD DoDD 5118.05](#), “Defense Finance and Accounting Service (DFAS)”.

2.0 CHIEF FINANCIAL OFFICER APPOINTMENT (0102)

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. [The USD\(C\)/CFO must be appointed or designated, as applicable, from among individuals who possess demonstrated ability in general management of, and knowledge of and extensive practical experience in financial management practices in large governmental or business entities.](#)

3.0 ROLES AND RESPONSIBILITIES (0103)

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:

3.1 Financial Management (010301)

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

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

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

3.1.3. 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.

3.1.4. 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.

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

3.2 Financial Management Systems (010302)

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 (CMO), provide for the design, development, and installation of financial systems ([as defined in the Glossary](#)) and for management improvement programs throughout the DoD, especially those related to financial management. Ensure system:

3.2.1. Compliance with applicable accounting principles, standards and requirements, and internal control standards.

3.2.2. Compliance with such policies and requirements as may be prescribed by the Director of OMB.

3.2.3. Provides for:

* 3.2.3.1. Complete, reliable, consistent and timely budgetary and proprietary transaction-level information in accordance with the Standard Financial Information Structure (*SFIS*); and recorded in general ledgers of the accounting systems of record to produce auditable budgetary, proprietary, and managerial cost accounting reports for use by external and internal stakeholders, and which is responsive to the financial information needs of DoD management. All such financial management systems are required to establish a data sharing agreement with Advana.

3.2.3.2. The development and reporting of cost information.

3.2.3.3. The integration of accounting and budgeting information.

3.2.3.4. Financial and/or program performance data used in budget development and financial statements preparation.

3.2.3.5. The adequate controls over real property, equipment and inventories.

3.2.3.6. The systematic measurement of performance.

3.3 Agency Financial Report (010303)

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.

*3.4 Budget Execution (010304)

3.4.1. 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.

3.4.2. Administer and provide analysis and recommendations for the budgeting and execution phases of the Planning, Programming, Budgeting, and Execution (PPBE) process of the DoD, utilizing advice from the Director, Cost Assessment and Program Evaluation and the CMO.

3.4.3. Direct the formulation and presentation of DoD budgets, the interactions with the OMB and Congress on budgetary and fiscal matters, and the execution and control of approved budgets. Maintain effective control and accountability over the use of all financial resources of the

DoD. In coordination with the CMO, conduct analyses aimed at increasing the efficiency of defense spending.

3.5 Biennial Review (010305)

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.

*4.0 CHIEF FINANCIAL OFFICER AUTHORITY (0104)

4.1 Title 10 United States Code (010401)

In accordance with 10 U.S.C. § 2222, the USD(C) in conjunction with the CMO must, in consultation with the Defense Business Council, document and maintain any common enterprise data for their respective areas of authority. Under this authority, they may also:

4.1.1. Participate in any related data governance process,

4.1.2. Extract data from defense business systems as needed to support priority activities and analyses,

4.1.3. When appropriate, ensure the source data is the same as that used to produce the financial statements subject to annual audit,

4.1.4. In consultation with the Defense Business Council, provide access, except as otherwise provided by law or regulation, to such data to the Office of the Secretary of Defense, the Joint Staff, the military departments, the combatant commands, the Defense Agencies, the Department of Defense Field Activities, and all other offices, agencies, activities, and commands of the Department of Defense; and

4.1.5. Ensure consistency of the common enterprise data maintained by their respective organizations.

4.2 Title 31 United States Code (010402)

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

4.2.1. 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.

4.2.2. 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.

4.2.3. 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.

5.0 CHIEF FINANCIAL OFFICERS COUNCIL (0105)

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.

6.0 ESTABLISHMENT OF THE DEPUTY CHIEF FINANCIAL OFFICER (0106)

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.

*7.0 DEPARTMENT OF DEFENSE STAFF ORGANIZATIONS (0107)

7.1 Deputy Comptroller (Program/Budget) (010701)

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 [five](#) directorates:

7.1.1. 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 Intelligence Program](#); and for the Defense Acquisition Board program.

7.1.2. 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.

7.1.3. 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, [Contingency and International programs](#), 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.

7.1.4. 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 databases, apportionment of funds, reprogramming and transfer of funds, obligation and outlay forecasting and tracking, budget concepts and scorekeeping, and information system support.

7.1.5. The Directorate for Integration is responsible for developing and managing President's Budget rollout material to include the Defense Overview Book, Weapons Book, Black Book, and Budget Rollout Slides. Responsibilities also include analyzing raw technical data and using special data analytics techniques to assist Program/Budget staff in linking information throughout the PPBE cycle; performing ad hoc tasks and special analysis; and functioning as a knowledge repository and fact-checking clearinghouse. The Directorate is also responsible for integrating Program/Budget products and directing traffic to achieve continuity and consistency in messaging with a focus on streamlining and improving processes to inform senior leaders faster with minimal errors.

7.2 Deputy Chief Financial Officer (010702)

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 [three](#) directorates, [and one additional team responsible for ad hoc tasks assigned by leadership](#):

7.2.1. The Directorate for Chief Financial Officer Data Transformation Office (CDTO) is responsible for advancing National Defense Strategy by making [common enterprise business](#) data widely accessible, understandable and usable across the Defense enterprise; helping the DoD translate common enterprise data into actionable insights, decisions, and action; and advancing analytics to support complex National Defense challenges. CDTO is [specifically responsible for Advana \(derived from the term "Advancing Analytics"\)](#), the common enterprise data repository for the DoD, as required by the National Defense Authorization Act ([NDAA](#)) for Fiscal Year 2018. Advana, as described in [Chapter 10](#), is a centralized data and analytics platform that provides DoD users with common business data, decision support analytics, and data tools. [CDTO is responsible for DoD enterprise data housed in Advana](#); developing, implementing, and sustaining the financial management data strategy; and 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 [Notice of Findings and Recommendations / Corrective Action Plans](#) database.

7.2.2. 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.

7.2.3. 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 DCFO 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 [Payment Integrity](#) Program, and other external financial management reporting.

7.2.4. The Focus Leadership Execution Team (FLEX) is responsible for supporting the CFO and DCFO's strategic vision for a strong internal control environment, and leads DoD implementation efforts for large-scale financial end-to-end business process and/or system adoption within the Department. In addition, FLEX is responsible for acting as the liaison for CMO reform efforts, and 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. The team 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.

7.3 Director, Defense Finance and Accounting Service (010703)

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:

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

7.3.2. 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.

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

7.3.4. 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).

7.3.5. 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.

7.3.6. 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.

7.3.7. 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.

7.4 Director, Defense Contract Audit Agency (010704)

The Director of Defense Contract Audit Agency (DCAA) is under the authority, direction, and control of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense (USD(C)/CFO), pursuant to 10 U.S.C. § 192, DoDD 5118.03, and DoDD 5105.36. The Director, DCAA, exercises authority, direction, and control over DCAA and all assigned resources. The mission of DCAA is to perform all necessary contract audits for the DoD, and to provide accounting and financial advisory services regarding contracts and subcontracts. DCAA achieves their mission by executing the following duties:

7.4.1. Assist in achieving the objective of prudent contracting, by providing DoD officials responsible for procurement and contract administration with financial information and advice on proposed or existing contracts and contractors, as appropriate.

7.4.2. In accordance with Government Auditing Standards, the Federal Acquisition Regulation, the Defense Federal Acquisition Regulation Supplement, and other applicable laws

and regulations to the extent and in whatever manner is considered necessary to permit proper performance of the other functions, DCAA audits, examines, and reviews:

7.4.2.1. Contractors' and subcontractors' accounts records, documents, and other evidence;

7.4.2.2. Systems of internal control;

7.4.2.3. Compliance with regulations; and

7.4.2.4. Accounting, costing and general business practices and procedures.

7.4.3. Audits compliance with Defense Federal Acquisition Regulation Supplement Contractor Business Systems Clauses for contractors' accounting, material management and accounting, and estimating systems.

7.4.4. Direct audit reports to the Government management level having authority and responsibility to act on the audit findings and recommendations.

7.4.5. In an advisory capacity, attend and participate, as appropriate, in contract negotiation and other meetings where contract cost matters, audit reports, or related financial matters are under consideration.

8.0 DEPARTMENT OF DEFENSE COMPONENTS (0108)

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

