

## 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 [December 2020](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates to include clarifying language in accordance with Department of Defense Financial Management Regulation (FMR) Revision Standard Operating Procedures.	Revision
7.1	The Office of Deputy Comptroller (Program/Budget) reorganized the Directorate for Integration from a directorate to an office.	Revision
7.2	Added Deputy Comptroller for Enterprise Financial Transformation	Addition
7.3.2	Language for the Focus Leadership Execution Team was incorporated into paragraph 7.3.2.	Revision
Figure 1-1	Updated the Under Secretary of Defense (Comptroller)/CFO Structure.	Revision
1.2.10, 7.3.2	This revision incorporated part of the Deputy Chief Financial Officer memorandum titled, “Department of Defense Component Level Accounts Responsibilities (FPM24-03),” dated April 9, 2024.	Revision

## Table of Contents

VOLUME 1, CHAPTER 1: “CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE” .....	1
1.0 GENERAL.....	3
1.1 Purpose .....	3
1.2 Authoritative Guidance .....	3
2.0 CHIEF FINANCIAL OFFICER APPOINTMENT .....	3
3.0 ROLES AND RESPONSIBILITIES .....	4
3.1 Financial Management .....	4
3.2 Financial Management Systems.....	4
3.3 Agency Financial Report.....	5
3.4 Budget Execution .....	5
3.5 Biennial Review .....	6
4.0 CHIEF FINANCIAL OFFICER AUTHORITY .....	6
4.1 Title 10 United States Code .....	6
4.2 Title 31 United States Code .....	6
5.0 CHIEF FINANCIAL OFFICERS COUNCIL.....	7
6.0 ESTABLISHMENT OF THE DEPUTY CHIEF FINANCIAL OFFICER .....	7
7.0 DEPARTMENT OF DEFENSE STAFF ORGANIZATIONS.....	7
*7.1 Deputy Comptroller (Program/Budget) .....	7
*7.2 Deputy Comptroller for Enterprise Financial Transformation .....	8
7.3 Deputy Chief Financial Officer.....	8
7.4 Director, Defense Finance and Accounting Service .....	9
7.5 Director, Defense Contract Audit Agency .....	10
8.0 DEPARTMENT OF DEFENSE COMPONENTS .....	10
*Figure 1-1: UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF FINANCIAL OFFICER STRUCTURE .....	11

## CHAPTER 1

**CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE**

## 1.0 GENERAL

## 1.1 Purpose

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

## 1.2 Authoritative Guidance

The CFO establishment, roles, responsibilities, and authority prescribed 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. [DoDD 5118.03](#), “Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense (USD(C)/CFO)”;

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

\* 1.2.10. [DoD Instruction 7000.14](#), “DoD Financial Management Policy”.

## 2.0 CHIEF FINANCIAL OFFICER APPOINTMENT

The CFO Act designates DoD as an agency whose CFO is either appointed by the President, by and with the advice and consent of the U.S. Senate; or designated by the President, in consultation

with the head of the agency, from among officials of the agency who are required by law to be so appointed. The USD(C), who is appointed by the President and confirmed by the U.S. Senate, is also the DoD CFO. The USD(C)/CFO must be appointed or designated, as applicable, from among individuals who possess demonstrated ability in general management of, knowledge of, and extensive practical experience in financial management practices in large governmental or business entities.

### 3.0 ROLES AND RESPONSIBILITIES

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

#### 3.1 Financial Management

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

3.1.1. Establish DoD policies including its component parts. Ensure compliance with applicable accounting policy and standards.

3.1.2. Establish, review, and enforce internal controls, standards, and compliance guidelines.

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

3.1.4. Prepare and annually revise the 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. Recruit, select, and train personnel to execute financial management functions.

#### 3.2 Financial Management Systems

Develop and maintain an integrated agency accounting and financial management system, including but not limited to financial reporting, internal controls, cash management, credit management, debt collection, and property and inventory management. In coordination with the Director of Administration and Management (DA&M), provide for the design, development, and installation of financial systems (as defined in the Glossary) and for management improvement programs, 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 Director of OMB policies and requirements.

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](#); and recorded in general ledgers of the accounting systems of record to produce auditable budgetary, proprietary, and managerial cost accounting reports for external and internal stakeholder use, and which is responsive to DoD management information needs. All such financial management systems **must** establish an [Advancing Analytics \(Advana\)](#) data sharing agreement, [see Chapter 10](#).

3.2.3.2. [Development and reporting of cost information](#).

3.2.3.3. [Integration of accounting and budgeting information](#).

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

3.2.3.5. [Adequate controls over real property, equipment, and inventories](#).

3.2.3.6. [Systematic measurement of performance](#).

### 3.3 Agency Financial Report

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

### 3.4 Budget Execution

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 DoD Planning, Programming, Budgeting, and Execution process, utilizing advice from the Director, Cost Assessment and Program Evaluation and the [DA&M](#).

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 DoD financial resources. In coordination with the [DA&M](#), conduct analyses [to increase](#) the efficiency of defense spending.

### 3.5 Biennial Review

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

## 4.0 CHIEF FINANCIAL OFFICER AUTHORITY

### 4.1 Title 10 United States Code

In accordance with 10 U.S.C. § 2222, the USD(C) in conjunction with the DA&M must, in consultation with the Defense Business Council (DBC), 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 defense business systems data as needed for 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. 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 DoD Field Activities, and all other DoD offices, agencies, activities, and commands; and

4.1.5. Maintain consistent common enterprise data of their respective organizations.

### 4.2 Title 31 United States Code

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

4.2.1. Access all records, reports, audits, reviews, documents, papers, recommendations, or other material that are DoD property, are available to the DoD, and which relate to programs and operations with respect to DoD CFO responsibilities.

4.2.2. Request such information or assistance from any Federal, State, or local governmental entity as may be necessary.

4.2.3. To the extent and in such amounts as may be provided in advance by appropriations Acts, the USD(C)/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

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

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

### \*7.1 Deputy Comptroller (Program/Budget)

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

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 Contingency and International programs.

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.

## \*7.2 Deputy Comptroller for Enterprise Financial Transformation

The Deputy Comptroller for Enterprise Financial Transformation (EFT) is responsible for improving enterprise-wide performance and data-driven decision making by accelerating digital transformation, process improvement, and the use of data and analytics. The Office for EFT is organized into two directorates:

7.2.1. The Directorate for Digital Transformation (DT) is responsible for the oversight and management of DoD's financial management systems environment, including system audit compliance, and other digital transformation efforts which leverage data, data standards, technology, and analytics to automate and improve business processes. In alignment to the National Defense Strategy, DT also leads the development and implementation of DoD CFO's Financial Management Functional Strategy to drive alignment with 21st century mission requirements and re-investment of savings to core DoD missions.

7.2.2. The Directorate for Financial Management Operations and Analysis is responsible for Defense-wide Working Capital Funds, the Pentagon Reservation Maintenance Revolving Fund, the Building Maintenance Fund, the Conventional Ammunition Working Capital Fund, the National Defense Stockpile Transaction Fund, and the Military Services' Management and Trust Funds. The directorate also supports the migration of all legacy DoD Fund Balance with Treasury (FBwT) reconciliations into the Advana platform, the ongoing development, operation, and maintenance of the Department's FBwT reconciliations with Advana, developing, implementing, and sustaining the Dormant Account Review Quarterly process, producing a supportable Universe of Transactions for financial statement line-item balances, analysis and reporting on budgetary and financial execution data, and executing other Financial Management Analytics missions as needed.

## 7.3 Deputy Chief Financial Officer

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

7.3.1. The Directorate for FIAR is responsible for audit oversight, management, and liaison functions; **supporting** Components **to** remediate findings and achieve post-audit sustainment. FIAR develops and **annually** revises a detailed FIAR Plan that identifies financial process, system, and statement deficiencies and provides detailed corrective actions to address those deficiencies. Additionally, FIAR manages 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; and advocating for the USD(C)/CFO on various interagency forums and internal DoD councils, boards, committees, and external organizations as required.



\* 7.3.2. The Directorate for Financial Management Policy and Reporting (FMPR) is responsible for developing, promulgating, implementing, and interpreting DoD-wide accounting and finance policies; supporting 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 provides oversight of and liaisons with DoD Components on financial management operations, systems, responses to audit reports, policy clarifications, and other financial matters; and administers this Regulation. The Directorate develops and issues the DoD AFR (see Volume 6B), oversees the DoD-wide consolidated financial statements and notes—to include Component Level Account transactions—and manages the DoD Payment Integrity and Antideficiency Act programs, and other external financial reporting. Additionally, the Directorate supports the CFO and DCFO's strategic vision for a strong internal control environment by facilitating DoD implementation of large-scale, end-to-end financial and business process and/or system adoption, and removing barriers from DoD, other federal, and industry stakeholders for more efficient interoperable systems, data standards, and Government-wide accounting best practices.

#### 7.4 Director, Defense Finance and Accounting Service

The Director of DFAS is the principal DoD executive for finance and accounting requirements, systems, and functions under the authority and direction of the USD(C). DFAS:

7.4.1. Directs and oversees finance and accounting requirements, systems, and functions for all appropriated, nonappropriated, working capital, revolving, and trust fund activities, including security assistance.

7.4.2. Establishes and enforces requirements, principles, standards, systems, procedures, processes, and practices necessary to comply with finance and accounting statutory and regulatory requirements applicable to the DoD.

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

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

7.4.5. Executes statutory and regulatory financial reporting requirements and provides financial statements, pursuant to 31 U.S.C. § 3515, to include supporting customers' audit assertions and audit execution.

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

7.4.7. Coordinates on the establishment of all DoD finance and accounting activities independent of the DFAS and supports 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.

## 7.5 Director, Defense Contract Audit Agency

The Director of Defense Contract Audit Agency (DCAA) is under the authority, direction, and control of the USD(C)/CFO, pursuant to 10 U.S.C. § 192, DoDD 5118.03, and DoDD 5105.36. The Director exercises authority, direction, and control over DCAA and all assigned resources. DCAA performs all necessary DoD contract audits and provides accounting and financial advisory services regarding contracts and subcontracts. DCAA executes the following:

7.5.1. Assists procurement and contract administration officials in achieving the objective of prudent contracting by providing financial information and advice on proposed or existing contracts and contractors, as appropriate.

7.5.2. In accordance with Government Auditing Standards, the Federal Acquisition Regulation, the Defense Federal Acquisition Regulation Supplement (DFARS), and other applicable laws and regulations, to the extent and manner considered necessary, to permit proper performance of the other functions; DCAA audits, examines, and reviews:

7.5.2.1. Contractors' and subcontractors' records, documents, and other evidence;

7.5.2.2. Systems of internal control;

7.5.2.3. Compliance with regulations; and

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

7.5.3. Audits compliance with DFARS Contractor Business Systems Clauses for contractors' accounting, material management and accounting, and estimating systems.

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

7.5.5. As an advisor, attends and participates, as appropriate, in contract negotiation and other meetings where contract costs, audit reports, or related financial matters are under consideration.

## 8.0 DEPARTMENT OF DEFENSE COMPONENTS

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

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

