

**SUMMARY OF MAJOR CHANGES TO
DoD 7000.14-R, VOLUME 6A, CHAPTER 2
“FINANCIAL REPORTS ROLES AND RESPONSIBILITIES”**

Substantive revisions are denoted by an ★ preceding the section or paragraph with the substantive change or revision.

PAGE	PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
2-2	Title	Extends the applicability of the provisions of this chapter to intermediate and installation level financial reporting in addition to Departmental-level reporting.	Revise
2-2	0201	Extends the applicability of the provisions of this chapter to DoD Components that prepare their own financial reports without the accounting support of the Defense Finance and Accounting Service.	Revise
2-2	020101	Extends the applicability of the provisions of this chapter to intermediate and installation level financial reporting in addition to Departmental-level reporting.	Revise
2-2	020102	Extends the applicability of the provisions of this chapter to intermediate and installation level financial reporting in addition to Departmental-level reporting.	Revise
2-3	020201.A.8	Adds references for new guidance addressing the preparation of journal vouchers.	Revise
2-4	020201.B.3.a	Extends the scope of Component responsibility for reviewing reports to encompass both appropriation-level and reports below the appropriation level.	Revise
2-14	020208	Inserts new guidance relative to the preparation of journal vouchers.	Update
2-25	020210.B.3	Incorporates the role of the certifying officials in the “Year-end Closing Statement” process.	Update

CHAPTER 2

★ FINANCIAL REPORTS
ROLES AND RESPONSIBILITIES0201 GENERAL

★ The preparation and issuance of Department of Defense (DoD) Component financial reports, for which accounting support is provided by the Defense Finance and Accounting Service (DFAS), is a joint responsibility of the DFAS and the applicable DoD Component. Both the DFAS and DoD Component customers of the DFAS are responsible for reviewing financial reports to assess the accuracy of the reported financial information and for taking corrective actions, as needed, to improve the timeliness and quality of those financial reports. In some instances, DoD Components prepare their own financial reports without accounting support from the DFAS. Ultimately, the DoD Component is responsible for the accuracy and completeness of financial information in reports which present the financial effects of the Component's operations.

★ 020101. Purpose. The purpose of this chapter is to define the roles and responsibilities of the DFAS and its customers and other DoD Components regarding the proper and consistent preparation of financial reports at the DoD Component departmental, intermediate and installation level, and the treatment of transactions from which the financial data included in the various reports are derived.

★ 020102. Scope. These policies apply to departmental level, intermediate and installation level financial reports prepared by the DFAS for its DoD Component customers--the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff or the Joint Staff, the Combatant Commands, the Office of the Inspector General, DoD, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as DoD Component customers). This guidance also applies to those DoD Components that prepare their own financial reports, such as the Military Retirement Fund, the Army Corps of Engineers, certain organizations supported by the Washington Headquarters Services, the TRICARE Management Activity-West, and organizations required to perform their own accounting because of security considerations. In those instances, reporting organizations shall perform the responsibilities described herein as assigned to the DFAS, as well as those assigned to the DFAS customer.

0202 RESPONSIBILITIES

020201. Stewardship and General Responsibilities. The Congress appropriates resources to finance the programs, missions, and functions of the Department and its Components. Financial reports are a tool to display the status and uses of those resources. For managers to exercise proper stewardship over their resources, it is essential that financial reports be accurate and timely. To achieve the objective of quality and timely financial reports, the following general responsibilities apply:

A. Under Secretary of Defense (Comptroller). The Under Secretary of Defense (Comptroller) is responsible for the development and approval of DoD policy on financial reports and oversight of the issuance and implementation of such policy. This responsibility includes determination of policies governing:

1. The division of responsibilities between the DFAS and its customers.

2. The establishment of internal controls and audit trails required for the preparation of financial reports and the processing of associated transactions (see paragraphs 020202 and 020203, below).

3. The reconciliation of subsidiary records with financial balances (see paragraph 020204, below).

4. The establishment and approval of schedules required to meet financial reporting deadlines (see paragraph 020205, below).

5. Customer approval and adjustment of draft annual reports (see paragraphs 020206 and 020207, below).

6. The types and levels of adjustments that the DFAS is authorized to make without specific prior approval of the customer (see paragraph 020207, below).

7. The types of documentation required from the customer to support adjustments to the official accounting records (see paragraph 020207, below).

★ 8. Journal voucher preparation (see paragraph 020208, below).

9. The release of reports (see paragraph 020209, below).

10. Requirements for certifications and letters of representation (see paragraph 020210, below).

11. Adjudication of adjustments and other issues where there is a disagreement between the DoD Component customer and the DFAS (see subparagraph 020206.A.1.e, below).

B. DoD Components (DFAS Customers). The DoD Components are responsible for:

1. Ensuring the accuracy, completeness, timeliness and documentary support for all data generated by the customer and input into finance and accounting systems or submitted to the DFAS for input and/or recording in the finance and accounting systems and inclusion in financial reports.

2. Establishing appropriate internal controls to assure the accuracy of data provided to the DFAS.

3. Reviewing all reports provided by the DFAS to assess the accuracy of the financial information being reported.

★ a. For financial reports prepared at, or below, appropriation level, the applicable appropriation manager(s) should be involved in such reviews.

b. Such reviews should identify obvious errors, omissions, and significant diversions from expected or planned amounts.

c. Such reviews should compare budgeted and planned levels of activity with the data included in the reports.

d. When errors or omissions are identified, changes to the reports shall not be made by the DoD Component customer, but instead should be referred to the DFAS for correction. This is because other reports, including subsequent iterations of the same report, are/should be produced from official accounting records. These official accounting records shall be accurate in order for such other reports to be accurate. Additionally, proposed adjustments to the accounting records are required in order to ensure a proper audit trail for all the transactions affecting reports.

4. Performing program and management analyses on the information contained in financial reports.

5. Ensuring that the amounts in the financial reports are consistent and reconcilable with the same data included in management reports prepared by the DoD Component customer.

6. Reconciling and validating the source data for financial transactions.

7. Identifying any conditions in the financial reports that indicate either a potential or an apparent violation of the Antideficiency Act and initiating an investigation in accordance with Volume 14 of this Regulation.

C. The Director, DFAS. The Director of the DFAS shall establish procedures to ensure that:

1. The process for preparing financial reports is consistent, timely, auditable, and controls are in place to provide for the accuracy of the reports.

2. Repetitive financial reports are prepared consistently, in the same manner, by use of the same procedures, practices, and systems. Implementing this policy may

require the joint efforts of the DFAS and its customers to achieve standard procedures, practices, and systems used in preparing financial reports. To achieve this:

a. It is envisioned that a report prepared on a regular recurring basis shall consistently be prepared by use of the same correct procedures, practices, and systems at a particular location from reporting period to reporting period.

b. It is not envisioned that all financial reports shall be prepared at a single location or by use of a single automated financial system.

c. It is not intended that the introduction of improvements in policies, procedures, or systems used to prepare financial reports will be prohibited or limited.

3. Repetitive reports are edited and validated for accuracy and consistency between reports from the prior period(s) and reports for the current period.

4. Reports are validated to ensure that all data elements are included in the reports and that the same data elements included in different reports are reported consistently from the same source during the same reporting period.

5. Data provided by the customer (including data input to finance and accounting systems by the customer) is accurately and timely recorded and processed in finance and accounting systems. This includes performing designated disbursing and accounting operations on behalf of the customer and recording the results of those operations in a timely and accurate manner.

6. Reports are prepared and verified to the official accounting records. The DFAS shall ensure that reported amounts agree with the appropriate general ledger balance(s), whenever applicable.

7. A complete, documented audit trail to the source transactions supports the DFAS-prepared reports.

8. Classified financial information is properly safeguarded.

020202. Internal Controls

A. DoD Components (DFAS Customers). The DoD Components shall establish appropriate internal controls to ensure that data provided to the DFAS, whether electronically or otherwise, to be recorded in the accounting systems and subsequently used in financial reports is accurate, complete, and supportable. The DoD Components shall maintain or create controls to ensure that:

1. All financial transactions are submitted to the DFAS. These controls should include tools to identify and track the numbers, types, and dollar amounts of transactions submitted to the DFAS.

2. Before submission to the DFAS, all transactions (whether hard copy or electronic) are edited to assure accuracy, e.g., that the transaction is identified correctly in terms of the type of transaction, reported quantity(ies), the dollar amount(s) and other data.

3. Transactions that have occurred during a reporting period are uniquely identified with the reporting period and transmitted to the DFAS during that same reporting period. For transactions occurring during the last week of a reporting period, the transmittal shall be made within one week after the end of the reporting period. The reporting period normally ends on the last day of each month, quarter, or fiscal year. The last day of the reporting period, and the final due date for transactions, may be established for a date(s) other than the last day of each month, quarter, or fiscal year if agreed between the DFAS and the DoD Component customer, and approved by the Office of the Under Secretary of Defense (Comptroller).

4. Draft reports provided by the DFAS for review, certification or approval are returned to the DFAS, with proposed adjustments, if any, for verification with official accounting records. Upon verification with official accounting records, the reports will be released directly by the DFAS to the external recipients of the reports. The requirement to return draft reports to the DFAS for release only applies to financial reports being provided to recipients external to the DoD Components.

5. Annual certifications required in implementation of 31 U.S.C. 1501(a) and management representation letters required by the Inspector General (IG), DoD, for annual Chief Financial Officer financial statements are prepared and submitted when required.

6. The “Defense Working Capital Fund Accounting Report” (Accounting Report (M) 1307) is validated and approved by the DoD Component customer each month.

7. Actual or potential Antideficiency Act violations are reviewed and investigated in accordance with Volume 14 of this Regulation.

B. DFAS. The DFAS shall establish internal controls to ensure that data provided by each DoD Component customer is recorded accurately and processed timely into the finance and accounting systems. The DFAS shall maintain or create controls to ensure that:

1. All transactions received are processed correctly. These controls should include tools to identify and track numbers, types, and dollar amounts of transactions that are received by the DFAS. Such controls also apply to all transactions generated by the DFAS.

2. All transactions generated (whether electronic or hard copy) are edited to assure accuracy, e.g., that the transaction is identified correctly in terms of the type of transaction, reported quantity(ies), the dollar amount(s) and other data.

3. Transactions that have occurred during a reporting period are uniquely identified with the reporting period and processed in order to meet the reporting schedule for the report due date.

4. The DFAS-prepared reports are supportable, reliable, and accurate. These controls include tools to ensure that:

a. All transactions applicable to the effective period of the report have been edited and posted to the official accounting records.

b. All DFAS or DoD Component customer proposed adjustments to a previously issued report are edited, validated, documented and posted to the official accounting records.

c. Reported amounts are verified to the amounts contained in the official accounting records.

d. Report lines have the proper sign (positive or negative).

e. Mathematical calculations on each report are validated.

f. Identified relationships between amounts on report lines within a report and from one report to another report are checked and validated.

g. Current reports are compared to prior reports and checks are made to identify significant errors, omissions, and distortions.

h. Applicable corrections are made to the reports before release to the recipients.

5. Actual or potential Antideficiency Act violations are reported to customers for their review and investigation in accordance with Volume 14 of this Regulation.

020203. Audit Trails

A. DoD Components (DFAS Customers). The DoD Components shall ensure that audit trails are maintained in sufficient detail to permit tracing of transactions with a unique identity from their sources to their transmission to the DFAS. This is necessary to demonstrate the accuracy, completeness, and timeliness of a transaction, as well as to provide documentary support, if required, for all data generated by the DoD Component and submitted to the DFAS for recording in the accounting systems and use in financial reports.

B. DFAS. The DFAS shall ensure that a complete and documented audit trail is maintained to support the reports it prepares. The audit trail shall include assurance that:

1. The numbers, types, and dollar amounts of transactions transmitted by the customer are received and tracked by the DFAS to ensure that they are properly processed and recorded.

2. The numbers, types, and dollar amounts of transactions received from customers, as well as those generated by the DFAS, are processed timely and entered accurately into the finance and accounting systems.

3. All transactions received from customers, as well as generated by the DFAS, with an effective date of the current reporting period are included in the data reported for that reporting period.

4. Specific edits are applied by type of transaction in each finance or accounting system. Those transactions failing to pass edits, and/or otherwise not entered, shall be controlled and assigned for research and correction by the DFAS and/or the customer and, to the degree feasible, are recorded temporarily in suspense accounts in the accounting system. Examples of input transactions that may require research by the customer include, but are not limited to:

a. Personnel transactions inputting data to the payroll system that exclude data essential to pay employees.

b. Obligation transactions as a result of contracts or purchase orders that exclude data essential for recording the transactions in accounting or payment systems.

c. Receipt and acceptance transactions that exclude data essential for recording the transactions in accounting or payment systems.

d. Disbursements that do not match obligations or receipts because of missing program data.

5. The preparation of all financial reports is consistent from one reporting period to another reporting period, and that the same financial information is used as the source for different reports whenever the same information is reported.

6. Ending balances for one reporting period will be perpetuated as the beginning balances for the next reporting period and those values shall be carried forward to the subsequent reporting period without change.

7. The source of financial information for all financial reports is recorded in the official accounting records. Supporting documents or images of the supporting documents should be retained by the organization that translates the information into an electronic

mode. In converting information into an electronic mode, internal controls shall be in place to assure that the transactions are:

- a. Adequately edited for accuracy and completeness.
- b. Properly controlled from unauthorized access and use.
- c. Identified, tracked and controlled to ensure that the numbers, types and dollar amounts are complete.
- d. Properly authorized and approved by duly designated officials.

8. The major sources of data provided to the accounting and reporting systems are documented and a copy of the documentation provided to the customer for their information and appropriate action, if required.

020204. Reconciliation

A. Reconciliation of Subsidiary Records with Financial Balances. Many financial balances (e.g., general ledger proprietary and budgetary accounts such as assets, liabilities, commitments and undelivered orders) require supporting subsidiary records to validate the amount of the financial balance. Such subsidiary records shall be reconciled to financial balances in accordance with the policies, requirements, and frequencies prescribed in this Regulation.

B. DoD Components (DFAS Customers). The supporting records for many financial balances are maintained by the DFAS customers and are outside the control of the DFAS-- for example, assets such as inventories, property, plant and equipment. This also is true of some liabilities such as some claims payable.

1. When subsidiary records are maintained by the DoD Component customer, outside the control of the DFAS, the DFAS shall establish a reconciliation schedule, mutually agreed to by the DoD Component customer and subject to approval by the Office of the Under Secretary of Defense (Comptroller), to reconcile the subsidiary records with the financial balance. The reconciliation of such supporting records with the financial balance is a joint responsibility of the DFAS and the customer.

2. The accuracy of such subsidiary records shall be validated periodically, on a sample or other authorized basis, against applicable physical assets or other appropriate confirmations of the source documents.

a. For example, in the case of equipment, inventories, supplies and materials, or real property, periodic counting or other physical verification of the assets is required by various regulations depending upon the nature of the asset.

b. In the case of commitments, obligations and accounts payable, periodic validation of source data is required. These validations shall include reviews of requests for procurement actions, contracts and other procurement actions, personnel status information, supply requisitions, receipts and acceptances to ensure the integrity and currency of the source data.

3. Changes in the source data shall be documented and provided to the DFAS for recording as financial transactions.

C. DFAS

1. The DFAS shall establish procedures to ensure that all general ledger balances and other associated financial balances which require supporting subsidiary records are reconciled, in accordance with DoD policy, if specifically required by the Office of the Under Secretary of Defense (Comptroller), with the amounts contained in the supporting records, including original source data.

2. Unreconciled differences shall be investigated in accordance with applicable provisions of this Regulation and appropriate adjustments documented and processed to balance the general ledger amount with the amount of the subsidiary records.

3. Many of the supporting subsidiary records for the financial balance amounts are established and maintained by the DFAS. Examples of these subsidiary records are accounts receivable, accounts payable, and various other asset and liability balances. The DoD Component customer participation may be required in the reconciliation process for the DFAS maintained subsidiary records if the original source documents or transactions that require research to complete the reconciliation are retained by the customer.

4. When unreconcilable differences between the general ledger and the subsidiary ledger records exceed \$1 million, the reconciliations shall be performed on a monthly basis in order to determine the cause of the differences and to take appropriate corrective actions to ensure the accuracy and integrity of the accounting system and monthly reports.

020205. Reporting Schedules

A. The DFAS shall establish procedures to require their activities that prepare external financial reports to develop report preparation schedules jointly with customers. The purpose of these schedules is to meet the reporting due dates consistent with the policies in this chapter.

B. Reporting schedules for reports being provided to external recipients shall include the opportunity to present a draft of the report to the customer for approval prior to release to the recipients.

C. Reporting schedules for DoD departmental-level reporting entities shall be submitted to the Office of the Under Secretary of Defense (Comptroller) for approval.

020206. Draft Reports

A. DFAS. Prior to release of a draft report to the customer for review and approval, or release of a final report to a recipient, the DFAS shall validate the report to ensure that the reported amounts agree with the official accounting records. The DFAS shall perform quality reviews on all reports to confirm that:

1. Amounts on the report are mathematically correct.
2. Internal relationships of amounts included in a report that are interdependent are proven to be correct.
3. Abnormal account balances such as negative balances or unusual amounts are researched and resolved, if possible.
4. Reported amounts for the same data elements for the same report period are consistent across all similar financial reports.
5. Unusual trends and comparisons with prior year and/or prior period amounts are identified and called to the attention of the customer for appropriate action or analysis by the customer.

B DoD Components (DFAS Customers). The DoD Component customers shall take the following actions on all financial reports, including draft reports:

1. Review the reports provided by the DFAS to assess the accuracy of the financial information being reported.
 - a. The review should attempt to identify errors, omissions, and significant diversions from expected or planned amounts.
 - b. The review should compare budgeted and planned levels of activity with the data included in the reports.
 - c. When errors or omissions are identified in a draft report, the DFAS will be requested to revise the report and include the changes in the final report.
 - d. The DoD Component customers shall not make changes to draft reports nor release the reports to external recipients. To do so will result in the official accounting records being unreconcilable to such reports and the reports will not be supported fully with documented audit trails for all of the transactions impacting the reports.
 - e. The DoD Component-proposed changes to the draft reports, with which the DFAS does not concur, shall be referred to the Office of the Under Secretary of

Defense (Comptroller) for adjudication within fifteen calendar days. Requests for adjudication over the dispute may be submitted by either the DoD Component or the DFAS.

2. Research and propose adjustments to correct, as appropriate, abnormal account balances such as negative balances or unusual amounts.

3. Research any unusual trends and comparisons with prior year and/or prior period amounts to determine whether corrective actions are appropriate.

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

020207. Current Period Adjustments

A. General

1. There are many reasons for making current period adjustments. Examples include:

a. The total of the subsidiary records for an account does not agree with the financial balance representing the total.

b. Correction of a transaction.

c. Correction of an earlier adjustment that has been determined to have been made in error.

d. Adjustments to obligations and, if applicable, liabilities and expenses by aligning the obligations, accrual, or expense amount with the liquidation amount for receipts, acceptances, and/or disbursements.

2. The need to make adjustments may be identified by either the DFAS or by the DoD Components (DFAS Customers).

3. Adjustments made by DFAS or by DFAS Customers shall be supported by written documentation which is sufficiently detailed so that it provides audit trail to the source transaction(s) that require the adjustments. This documentation shall include the rationale and justification for the adjustment, detailed numbers and dollar amounts of errors or conditions that are related to the transaction(s) or record(s) that are proposed for adjustments, the date of the adjustment, and the name and position of the individual approving the adjustment.

B. DoD Components (DFAS Customers)

1. When, during an 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 shall be made and reflected in the information included in the applicable report.

C. DFAS.

1. Except as provided in the following paragraph, when DFAS identifies an adjustment that needs to be made to official accounting records of a DFAS Customer, the proposed adjustment shall be referred to the Customer. The DFAS Customer shall review and approve the adjustment.

2. When DFAS makes an adjustment to correct errors made by the DFAS in the preparation of a report, i.e., calculation errors and similar mistakes, they may be corrected by the DFAS without referral to the affected DFAS Customer(s). If a customer previously was provided a copy of the report, the customer shall be notified of the correction and provided with a corrected copy of the report. Examples of corrections which may be made by the DFAS without referral to its customers are:

a. Adjustments to correct systems processing deficiencies. For example, a systems programming error may under some conditions cause a sign of a transaction to be reversed. Therefore, instead of accounts payable being increased as a result of a receipt and acceptance, the accounts payable may be reduced. Correction of these types of programming deficiencies requires the processing of an adjustment by the DFAS.

b. Adjustments to correct an error made by the DFAS in processing a transaction or a previous adjustment.

c. Adjustments to correct a financial balance (i.e., general ledger amount) to equal the sum of subsidiary records.

d. Adjustments to obligations and, if applicable, liabilities and expenses by aligning the obligation, accrual, or expense amount with the liquidation amount for receipts, acceptances, and/or disbursements when such adjustments are required by applicable supporting information.

e. Adjustments to correct other DFAS errors.

3. When an adjustment is made without referral to a customer under circumstances specified in the preceding paragraph, the DFAS shall notify the customer at least once each month of the total amount, by type, and the categories of reasons for such adjustments made by the DFAS. The customer shall keep an adequate record of all such notifications.

★ 020208. Journal Voucher Preparation

A. Introduction. Proper preparation of, and adequate support for, journal vouchers is important to ensure that journal vouchers accurately record a financial event and that documentation for a detailed audit trail exists. Proper preparation of, and adequate support for, journal vouchers is the responsibility of the DFAS, DFAS Customers and DoD Components that prepare financial statements and other financial reports independent of the DFAS. Each of these entities shall take due care and diligence to fully comply with each of the responsibilities addressed in subparagraphs 020208 B. through F. below--internal controls, the uses of journal vouchers, supporting documentation, approval thresholds, and managerial oversight and review for journal vouchers prepared, reviewed, approved or processed by their activities.

B. Internal Controls. Operational internal controls shall be in place to ensure the proper recording of journal vouchers. These controls shall be in place whether journal vouchers are prepared manually or generated by an automated system. Journal vouchers may be prepared at the installation or departmental level. All journal vouchers shall be:

1. Sequentially numbered by reporting unit and reflected in a journal voucher log to maintain the integrity of journal voucher entries.

2. Categorized by each of the applicable 10 specific categories listed in subparagraph 020208.D.1, below. Additional categories of journal vouchers may be added by DFAS, DFAS customers or other DoD Components in order to ensure greater management control and oversight of the journal voucher process.

3. Reviewed to ensure proper recording of entries to posting accounts, not summary accounts, so as to facilitate analysis and footnote disclosure or Federal Agencies' Centralized Trial-Balance System (FACTS) reporting during the financial statement preparation process.

4. Adequately documented to support the validity and the amount of the journal voucher transaction.

5. Authorized and approved at the appropriate level of management by the appropriate Director or designee as specified in subparagraph 020208.E., below.

6. Processed under procedures which ensure that the duties for preparing, documenting, submitting, approving, and entering or posting are separated to the maximum extent possible.

7. Annotated with the name, title, and office symbol of both the preparer and the approver. In an electronic environment, the name, title, and office symbol may be represented by a user identification (user ID). A separate table shall be maintained to correlate user ID to identifying information.

8. Maintained in a central location in either a hard copy or in an electronic form.

9. Retained in accordance with records retention guidance contained in Volume 1, Chapter 9 of this Regulation.

C. Uses of Journal Vouchers. The Department has two primary uses for journal vouchers: correcting entries and source entries.

1. Correcting entry journal vouchers adjust for errors identified during the reports review process. This type of accounting entry includes specific amounts, accounts, and/or transactions related to the required correction. In some cases, correcting entries are required to adjust for errors on previously prepared journal vouchers. In those instances, correcting entries should both reverse the effect of incorrect entries and record the correct amount. In some cases, both entries can be made with one journal voucher and a single set of supporting documentation. Regardless of whether a single journal voucher is prepared, or multiple journal vouchers are prepared, the correcting journal voucher shall include a copy of the original journal voucher, 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 entry journal vouchers record those accounting entries that, due to system limitations or timing differences have not been otherwise recorded. By nature, source-entry journal vouchers are usually summarized at the entity level by general ledger account. The source entry accounting transaction shall be supported by documentation for the summarized amounts and identify the location of the transaction-level supporting detail.

3. Source entry journal vouchers generally are used for month-end closing and year-end processing and closing purposes. Source entry journal vouchers also may include postings of information provided through data calls, such as those required to record values for property, plant, and equipment recognition; if so, such journal vouchers must be supported by documentation for the summarized amounts and identify the location of the transaction-level supporting detail.

4. Both correcting and source entry journal vouchers normally will be summarized (net) 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 shall include documentation of the effect of the detailed transactions and identify the location of the transaction-level supporting detail.

5. The two subcategories of both correcting and source entry journal vouchers are audit-recommended journal vouchers and customer-requested journal vouchers.

a. Audit-Recommended Journal Vouchers. If, as a result of their audit, auditors recommend that a journal voucher adjustment be made, then the auditors should be asked to provide copies of the appropriate workpapers or relevant information from the workpapers to support the recommended journal voucher adjustment. The proper authoritative source shall perform an analysis of the recommendation using the auditors' workpapers and other relevant information to determine if the recommended adjustments should be made. If the duly authorized official in subparagraph 020208.E.5, below, determines that the auditors' recommended adjustments are required, a correcting journal voucher shall be prepared. If the duly authorized official determines that audit recommended adjustments are not required, no adjustment shall be made. Any decision resulting in a determination either that a journal voucher should be prepared or that a journal voucher should not be prepared shall: (1) document why the adjustment is, or is not, required; (2) indicate how the duly authorized official determined that the audit recommendation should, or should not, be followed; and (3) identify the audit recommendation serving as the basis for the actions taken. If a journal voucher is prepared, the decision to do so shall be included along with any other pertinent information, if any, as the documentation for that voucher.

b. Customer-Requested Journal Vouchers. Prepare a correcting journal voucher when the duly authorized official receives a customer-requested adjustment that complies with this regulation. Evidence to support this type of adjustment includes supporting documentation provided by the customer's duly authorized official. Evidence also includes any related analysis performed by the duly authorized official to ascertain that the adjustment is fully supported and complies with this regulation. In addition, the journal voucher shall document why the adjustment is required, indicate how the duly authorized official determined that the entries included on the journal voucher are correct, and identify the customer's request serving as the basis for the adjustment.

C. Documentation. All journal voucher entries shall be supported by proper documentation in either hard copy or electronic form. This documentation shall be sufficient for the approving official and others, such as auditors, to understand clearly the reason for preparing the journal voucher and to be able to tell it is proper and accurate. Return requests for journal voucher entries that are not supported by accurate or proper documentation to the person submitting the request with an indication of what additional information is required to process it, along with any applicable authoritative guidance. Whenever possible, attach supporting documentation to a copy of the journal voucher. In some cases; however, because of the large number of detailed transactions that are summarized in the voucher, it may not be practical to attach all of the documentation to it. In those cases, specific and detailed information summarizing the content, and identifying the location, of the supporting documentation shall be attached to the voucher.

1. Explanations of what is considered sufficient documentation are listed below for specific categories of correcting journal vouchers. NOTE: Regardless of what method of documentation is used for any category of journal voucher, i.e., whether it is a detailed listing, a narrative explanation, or a calculation supporting the amount, the dollar amount(s) on

the journal vouchers shall be clearly and readily identifiable within the supporting documentation.

a. Identified Errors and Reasonableness Checks. When the duly authorized official has identified errors through analysis, reasonableness checks, quality control procedures, or other means, a correcting journal voucher shall be prepared. In the event an auditor identified an apparent error or omission and provided the documentation for the journal voucher, the duly authorized official always will be a management official at the appropriate authorizing level as specified in subparagraph 020208.E, below, consistent with the entity internal control structure. Evidence to support either an authorized official or auditor identified correcting journal voucher shall include a detailed listing of identified errors, narrative explaining how it is known that the original entry is incorrect, why the correcting entry is accurate/more accurate, a related analysis documenting the calculation of the correct amount, and the sources of the data that were used in the analysis.

b. Reconciliation of Trial Balance and Budget Execution Reports. When the duly authorized official has determined during a reconciliation of data between two or more sources that a discrepancy exists, a correcting journal voucher may be necessary. Journal voucher entries included in this category often are made to match trial balances or other source data reported by field accounting sites and/or accounting stations to the DoD Components' budget execution reports. In general, trial balances or other source data should be considered to be correct and only should be adjusted to budget execution data, or other data, in instances where budget execution data are determined to be more accurate. This policy is consistent with policy contained elsewhere in this guidance. Evidence to support this type of journal voucher includes source data and the related analysis used to determine which is the correct amount. If a journal voucher is necessary, the voucher shall 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 journal voucher are correct.

c. Balancing Entries for Eliminations. When the duly authorized official has determined that, during the report preparation process, entries are necessary to balance buyer-side data with data provided by the sellers, consistent with the policy in Volume 6B, Chapter 13, of this Regulation, a correcting journal voucher shall be prepared prior to eliminating selected intragovernmental accounts. The documentation shall include the appropriate worksheets that show, in detail, the seller-side data that were received, the buyer-side control values that are being adjusted, and the calculation of the adjustment amount. The supporting documentation for these journal vouchers also shall include a narrative that summarizes the procedures that were used to make buyer-side adjustments. For example, at a minimum, the narrative should include, the following information:

Eliminations are necessary so as not to overstate or understate the performance or financial position of a reporting entity by including the effects of intraentity transactions within a reporting entity. As stated in the notes to the financial statements and Volume 6B,

Chapter 13, of this Regulation, the Department used summary seller-side balances for revenue, accounts receivable, and unearned revenue to adjust the departmental buyer-side records for costs, accounts payable, and advances, respectively. Balancing entries for eliminating entries include amounts to ensure that the corresponding transfer-in and transfer-out accounts are equal for trading partners. A failure to balance the buyer- and seller-side data could result in significant distortions in consolidated financial statements.

The procedures to use information provided by the seller/service provider for fiscal year reporting were developed due to systems limitations that prevent the identification of buyer-side transactions by specific trading partner.

All supporting documentation, including the detailed information from the seller that was used to adjust the buyer-side records and the resulting accounting entries, is attached.

(NOTE: The preceding narrative is an example of the type of language that should be included for this journal voucher category. Any changes to this Regulation that affect the policy regarding intragovernmental eliminations should be incorporated into the journal voucher explanation.)

d. Supply Management Inventory. When the duly authorized official has determined that inventory values for supply management activities need to be adjusted from standard price to approximate historical cost, a correcting journal voucher shall be prepared. The supporting documentation shall include appropriate references to Volume 11B of this Regulation and a clear explanation of the method that was used to comply with the policy in this Regulation to value inventory and cost of goods sold.

e. Reclassification of Accounts. 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, a correcting journal voucher shall be prepared to crosswalk data from installation level accounts to the U.S. Government Standard General Ledger. The supporting documentation shall 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.

f. Reversing Entries for Prior Reporting Period. When monthly or yearly accruals or correcting entries have been made for reporting purposes, they may need to be reversed for the following reporting period. The journal vouchers reversing entries shall include documentation regarding the original accrual entry and an explicit statement that the journal voucher is a reversing entry.

g. Adjustment to Balance Reports Internally. When the duly authorized official has determined that a reconciliation of data supporting two different reports cannot be performed, a correcting journal voucher may be necessary. Journal voucher entries included in this category often are made to match net cost on the Statement of Net Costs and Statement of Financing. Evidence to support this type of journal voucher shall include documentation of the reconciliation efforts made before determining that the reports cannot be reconciled.

h. Data Call Entry. Frequently, during the financial statement preparation process, source-entry information is provided by data calls where the data are not recorded on a detailed transaction basis. If this is done, journal vouchers shall be prepared to record the summarized data call amounts, so these amounts can be recorded in the general ledger trial balance. The data call entry shall be supported by documentation for the summarized amount and shall identify the source or location of the transaction-level supporting detail and/or information for the entry.

(1) Data call information, in most cases, is provided by an independent source. Examples of an independent source include the DoD Actuary, logistics data calls, environmental data calls, and accrual information from the Department of Labor and the Office of Personnel Management. Evidence to support the journal voucher includes the transmission record of these data in conjunction with a determination by the independent source that the source data is valid.

(2) Examples of data call entries include:

- (a) property, plant and equipment;
- (b) inventory and operating materials and supplies;
- (c) environmental liabilities;
- (d) contingent liabilities; and
- (e) employee benefit data, Federal Employees Compensation Act (FECA) data, and other information from other federal sources.

i. Recognition of Undistributed Disbursements and Collections. The effects of undistributed disbursements and collections shall be recognized in the accounting records and the financial statements. These amounts are to be offset by reducing accounts payable and accounts receivable, respectively. Entries shall be made to adjust Fund Balance with Treasury, as reported, for the amount of undistributed disbursements and collections reported in the departmental expenditure system. Corresponding entries also shall be made to account for undistributed disbursements and collections in accounts payable and accounts receivable. These entries represent the Department's in-transit disbursements and

collections for transactions that have been reported by a disbursing station but not yet recorded by the appropriate accountable station. The proper supporting documentation for this type of journal voucher consists of identifiable amounts that are in-transit from other sources (such as other DFAS Centers 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 journal voucher adjustments consists of summarized transmittal amounts. However, for audit trail purposes, the detailed transaction level amounts shall be obtained from the transmittal source when the amounts become available. Further evidence includes documentation of procedures, and the allocation process, used to apply undistributed disbursements and collections to accounts payable and accounts receivable, respectively.

j. Other Accruals. A number of typical month-end and year-end adjusting entries are made, and subsequently may be reversed at the beginning of the next period, to accrue amounts for payroll, workers compensation, judgement fund liabilities, unfunded leave, and other transactions. In addition, other accruals are made for expenses and accounts payable for the Mechanization of Contract Administration Services unpaid and paid liabilities, interfund, and/or payroll disbursements. The supporting documentation for these other accrual journal vouchers shall include a narrative explaining the basis for the accrual and any subsequent reversal.

E. Approval Thresholds. Approval of the journal voucher also constitutes acceptance of the supporting documentation. The organizational level within accounting centers, accounting stations, finance offices, and other accounting locations at which journal vouchers shall be approved, varies by the dollar amount of the voucher as shown by the following table.

<u>Threshold</u>	<u>Dollar Amount</u>	<u>Approving Official</u>
1	Under \$100 Million	Reporting Entity Branch Chief
2	\$100 - \$500 Million	Supervisor of Reporting Entity Branch Chief
3	\$500 Million - \$1 Billion	Director for Accounting or Finance for the Reporting Entity
4	Over \$1 Billion	Director for the Reporting Entity

Within each of the foregoing thresholds, other approval thresholds with lower dollar values than those specified above may be established to accommodate the organizational level of those preparing the journal voucher. The accounting center director responsible for preparing the financial reports for a reporting entity shall designate in writing the approval threshold structure--dollar thresholds and position of approving officials--for each of its subordinate accounting organizations.

In addition, all journal vouchers over \$1 billion shall be approved by the Director of the reporting entity and coordinated with the customer and auditors prior to processing the proposed adjustment.

F. Managerial Oversight and Review. Adequate managerial internal controls shall be maintained at each level of management to ensure proper oversight of journal voucher preparation. As a minimum, such managerial internal controls shall entail the following:

1. Within no more than 10 work days after financial reports are prepared, the entity's Director for Accounting (or the equivalent) shall review all journal vouchers to determine if approval thresholds were met, and if not, obtain such approvals.

2. Within no more than 10 work days after financial statements are prepared, the entity's Director for Accounting (or the equivalent) shall review a selected sample of journal vouchers under \$500 million to determine if supporting documentation is present and adequate. If adequate supporting documentation is not present, the journal voucher shall be returned to the preparer with a request that adequate documentation be provided.

3. Within no more than 10 work days after financial statements are prepared, the entity's Director for Accounting (or the equivalent) shall review a selected sample of reversing journal voucher entries under \$500 million to determine if they are correctly prepared, documented, reviewed, processed, and approved. If not, the Director for Accounting shall take appropriate actions to ensure that not only reversing journal voucher entries, but all journal vouchers entries, are properly processed in the future.

4. The entity's internal review office shall include an assessment of its organization's journal voucher processing procedures in its annual internal control procedures (Statement of Assurance).

020209. Release of Reports

A. DoD Components (DFAS Customers). The DoD Components shall approve draft annual reports and return those reports to the DFAS for appropriate revision, validation, and release as final reports. The DoD Component customers, shall not release any reports--including monthly recurring reports such as budget execution reports--to any organization external to the DoD Component. As indicated in subparagraph 020209 B.3., below, such reports shall be released only by the DFAS. The DoD Component customers shall take the following actions on all reports, including monthly, quarterly, semiannual and annual reports, prepared by the DFAS:

1. Review the reports provided by the DFAS to assess the accuracy of the financial information being reported. The review should attempt to identify errors, omissions, and significant diversions from expected or planned amounts.

2. Compare budgeted and planned levels of activity with the data included in the reports. When errors or omissions are identified, propose appropriate adjustments.

3. Research and propose corrections, as appropriate, abnormal account balances (i.e., reverse signs, unusual amounts, and other obvious errors).

4. Research any unusual trends and comparisons with prior year and/or prior period amounts and take corrective action(s), if appropriate, to deal with adverse trends or cycles.

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

B. DFAS. The DFAS shall validate all final reports using the official accounting records prior to their release to their intended recipients.

1. Upon receipt of approved annual draft reports from the DoD Components, such reports shall be reviewed to ensure that the reported amounts agree with the official accounting records or that properly documented adjustments have been submitted to support any proposed changes to the reports.

2. When errors or omissions are identified after a final report has been released to the recipients, the DFAS shall not revise and reissue the final reports. However, the DFAS shall process and control all prior period adjustments for presentation in a supporting schedule for the prior period column in the Chief Financial Officer comparative financial reports for the subsequent year. The prior period column of the report shall reflect the amounts previously reported. The report shall be footnoted and a schedule included with the footnote to disclose the prior period adjustments processed after the report was finalized and the related impacts on the applicable report lines in the prior year column.

3. The DFAS, rather than the DoD Component customer, shall release all reports--including monthly recurring reports such as budget execution reports--that are submitted to any organization external to the DoD Component. This release of reports shall be taken only after final validation that corrections and adjustments have been made, and that the report agrees with the official accounting records.

020210. Certifications/Letters of Representation

A. DoD Component/Reporting Entity. A reporting entity is the organization represented by the financial information on a financial statement or report. This 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. It also 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 also can be at a DoD Component level. For example, the Chief Financial Officer annual financial statement for a Military Department includes all financial information required to portray fully all relevant activities of the Military Department.

1. The reporting entity, rather than the DFAS, is responsible for annual certifications required in the implementation of 31 U.S.C. 1501(b) and management representation letters in support of Chief Financial Officer annual financial statements required by the DoD IG.

2. Reporting entities having working capital funds are responsible for signing the “Defense Working Capital Fund Accounting Report,” (Accounting Report (M) 1307).

3. Because of the role that the DFAS plays in the preparation and presentation of financial reports, the DFAS is required to provide supporting certifications and letters to the reporting entity, as described in the following section, in order to properly support the reporting entity’s certification and representation letter.

B. DFAS. The DFAS provides accounting and reporting support for the Military Departments and selected Defense Agencies and DoD field activities. The DFAS has certain responsibilities, as defined above, with regard to the processing of financial data and the preparation of financial reports for its customers. Therefore, the DFAS shall provide the following to the DoD Component customer:

1. The DFAS is responsible to the reporting entity for the performance of disbursing, accounting, and reporting responsibilities and shall provide assurances and certifications, when requested, to the reporting entity regarding the quality of the accounting and report preparation services performed for the DoD Component customers.

2. Following review and approval by the customer, the DFAS is responsible for signing the recurring monthly, quarterly and semiannual reports on behalf of the DoD Component customers. An exception is the “Defense Working Capital Fund Accounting Report” (Accounting Report (M) 1307), which is required to be signed by the DoD Component.

★ 3. The DFAS Arlington advises the field locations to obtain data from the certifying officials at the field accounting sites to support the DoD Component customer’s requirement to provide annual certifications required in the implementation of 31 U.S.C. 1501(b). The Director of the DFAS location preparing the report shall make the following certification with the annual Financial Management Service Form 2108, “Year-end Closing Statement”:

“I hereby certify that the amounts shown in this report: (1) are a complete compilation of amounts contained in official accounting records; (2) have been validated to the official accounting records; and (3) have been reconciled, as required, to appropriate general ledger and subsidiary ledgers. All known material transactions have been included in the report.”

4. A certification similar to that specified in the preceding paragraph shall be provided by the chief of the applicable reports section to the customer with the monthly “Defense Working Capital Fund Accounting Report,” (Accounting Report (M) 1307).

5. In support of the DoD Component customer's requirement to provide a management representation letter in connection with the annual Chief Financial Officer's financial statements to the DoD IG, or to another organization or entity conducting an audit of that component's annual financial statements, the Director of the DFAS shall provide the customer with a certification letter before the due date for the management representation letter.

a. To the degree that problems, such as listed below, have been identified by auditors, Components, or internal DFAS reviews, in audit reports or otherwise, the annual certification letter issued by the DFAS to the customer shall disclose such conditions. The recognition of problems shall include any known deficiency that could prevent an auditor from issuing an unqualified opinion; any unresolved financial policy issues; uncorrected material errors, omissions, or unrecorded adjustments; proposed material write-offs of assets or liabilities; identification of "stop payment" conditions; or evidence of potential or apparent violations of the Antideficiency Act.

b. The DFAS certification letter shall include the following statements:

"I hereby certify that the amounts reported in the Chief Financial Officer financial statements are: (1) a complete compilation of amounts contained in official accounting records; (2) have been validated to the official accounting records; and (3) have been reconciled, as required, to appropriate general ledger and subsidiary ledgers. All known transactions have been included in the financial statements."