

SUMMARY OF MAJOR CHANGES TO DOD 7000.14-R, VOLUME 6B, CHAPTER 2 “GENERAL INSTRUCTIONS FOR THE FINANCIAL STATEMENTS”		
Substantive revisions are denoted by a ★ preceding the section, paragraph, table, or figure that includes the revision		
PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
020101	Adds responsibility for preparation of the new reporting entity, DoD Medicare-Eligible Retiree Health Care Fund in Table 2-1.	Updated
020102	Updates footnote 2 in Table 2-2 to include responsible party for deferred maintenance RSI.	Updated
020103	Updates Other Defense Organizations subentities in Table 2-3.	Updated
020201	Updates annual audited financial statement reporting dates.	Updated
020202	Adds interim quarterly unaudited financial statement reporting requirements.	Added
020203	Modifies wording and adds reporting entities required to conduct quality control reviews.	Updated
020204	Table 2-4 “Key Financial Statements Preparation Due Dates” removed. The financial statement reporting schedule will be provided under a separate memorandum. Reports previously required on February 27 are now accelerated and must be submitted to OMB and the Congress by the predefined due dates.	Updated
0203/020402/ 020403/ 020513/020514	Changes due dates to those provided in the financial statement reporting schedule.	Updated
0204	Changes materiality threshold from \$100 million to 0.5 percent of planning materiality as identified in GAO Financial Audit Manual.	Updated
020401	Updates to indicate current process and due dates for legal representation letter.	Updated
020403	Updates footnote and instructions on Figure 2-1 to match OMB Bulletin 01-02.	Updated
020503	Updates requirement for implementation of comparative statements, including the interim financial statements. Adds 2 percent of total assets as a factor for variance analysis.	Updated
020512	Updates number of financial statement copies required and mailing address. Adds interim financial statement requirements.	Updated

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CHAPTER 2

GENERAL INSTRUCTIONS FOR THE FINANCIAL STATEMENTS0201 **RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS**

020101. **Responsibility for Financial Statements.** Primary responsibility for the content and submission of the financial statements rests with the head of the reporting entity for which the statements are prepared. The actual preparation of the financial statements is the joint responsibility both of the Department of Defense (DoD) accounting activity maintaining the official departmental accounting records and the DoD Component for which those official accounting records are maintained. It is important to recognize that, while the accounting organization is responsible for assembling the principal statements, much of the data needed to prepare the principal statements originates in nonfinancial systems. Entity management is responsible for ensuring that the data originating outside of the official accounting systems is provided to the accounting organization in a timely manner, that it is complete, and that there are adequate internal controls and audit trails to ensure the data is accurate. The officials responsible for the content and submission of financial statements are identified in Table 2-1, below.

★ Officials Responsible for Financial Statements

Reporting Entities	Responsible DoD Official
Department of Defense	Chief Financial Officer (CFO), DoD
Department of the Army	The Secretary of the Army
Department of the Navy	The Secretary of the Navy
Department of the Air Force	The Secretary of the Air Force
Army Working Capital Fund (WCF)	The Secretary of the Army
Navy WCF	The Secretary of the Navy
Air Force WCF	The Secretary of the Air Force
Department of Defense Military Retirement Fund	Under Secretary of Defense (Personnel and Readiness)
★Department of Defense Medicare-Eligible Retiree Health Care Fund	Under Secretary of Defense (Personnel and Readiness)
U.S. Army Corps of Engineers (USACE) Civil Works	The Secretary of the Army

Table 2-1

020102. **Responsibility for Preparation of the Financial Statements.** The primary responsibility for the financial statements rests with the reporting entity management. Responsibility for preparation of the Principal Statements and Notes, however, is shared with the accounting organization responsible for maintaining the financial records of the reporting entity. Table 2-2 identifies the office that is primarily responsible for preparation of each section of the financial statements.

Official Responsible for Sections of the Audited Financial Statements

Responsibility for Preparation and Submission of Audited Financial Statements	CFO DoD	DFAS/USACE Accounting Activity	Reporting Entity Management
Management Discussion and Analysis of the Reporting Entity			X
Principal Statements			
Balance Sheet		X	
Statement of Net Cost		X	
Statement of Changes in Net Position		X	
Statement of Budgetary Resources		X	
Statement of Financing		X	
Statement of Custodial Activity		X	
Notes to the Principal Statements			
Note 1 to the Principal Statements		X	
Remaining Notes to the Principal Statements			X ¹
Supporting Consolidating/Combining Statements		X	
Required Supplementary Stewardship Information (RSSI)			X ²
Required Supplementary Information (RSI):			
Disaggregated Statement of Budgetary Resources		X	
Deferred Maintenance RSI			X ²
Segment Information		X	
Intragovernmental Amounts (transactions between federal entities)		X	
Other Accompanying Information:			
Other Supporting Statements		X	
Additional Performance Measures and Other Management Information			X
Submission of entity-level complete unaudited financial statements concurrently to the Inspector General (IG), DoD for audit and to the Deputy Chief Financial Officer (DCFO)			X
Submission of the Agency-wide complete unaudited financial statements to the IG, DoD for audit	X		
Submission of the entity-level final complete financial statements report to the IG, DoD and the DCFO			X
Submission of financial statements reports to the Office of Management and Budget (OMB) and the Congress	X		

¹Primary responsibility rests with the reporting entity. However, the Defense Finance and Accounting Service (DFAS) and the USACE Finance Center (FC) primarily prepare accounting type schedules in the notes and the reporting entity is primarily responsible for preparation of the narrative explanation statements to the notes. When comparative statements are required, the reporting entity shall explain in the notes significant year-to-year changes in amounts reported on lines of the Principal Statements.

²The Under Secretary of Defense for Acquisition, Technology and Logistics (USD (AT&L)) has responsibility for the RSSI reporting requirements, review of reported RSSI in DoD Component statements, and consolidation of the RSSI section for the DoD Agency-wide financial statement. In addition, USD (AT&L) has responsibility for reporting Deferred Maintenance in the RSI section of the Agency-wide report.

Table 2-2

020103. Responsibility for Other Defense Organization Subentities. In order for the Department to prepare the DoD Agency-wide audited financial statements, supporting financial statements shall be prepared for the remaining DoD organizations not identified in Chapter 1, paragraph 010605 of this volume. The organizations covered by this paragraph are the activities funded with Treasury Index (TI) 97 Defense appropriation/funds and are aggregated into two groups: (1) the Other Defense Organizations (ODO) General Funds (GF), and (2) the ODO Working Capital Fund (WCF). The responsible accounting activities shall prepare the required supporting statements for the subentities identified in Table 2-3 and submit the statements to the responsible official designated in Table 2-3. The responsible official shall ensure that: (1) all necessary data that originates in nonfinancial processes and systems (e.g., inventory and property data) is provided; (2) combining statements are reviewed; and (3) feedback is provided to the DFAS for consolidation.

**★Office of the Secretary of Defense Principal Staff Assistants
and Other Defense Organizations Subentities**

RESPONSIBLE OFFICIAL	OTHER DEFENSE ORGANIZATIONS SUBENTITIES	FUND TYPE
Under Secretary of Defense for Acquisition, Technology and Logistics	Missile Defense Agency	GF
	Defense Advanced Research Projects Agency	GF
	Defense Acquisition University	GF
	Defense Logistics Agency	GF and WCF
	Defense Threat Reduction Agency	GF
	Defense Contract Management Agency	GF
	Federal Energy Management Program	GF
	Joint Logistics Systems Command	GF and WCF
	National Defense Stockpile Transaction Fund Office of Economic Adjustment	GF GF
Under Secretary of Defense (Personnel and Readiness)	Defense Commissary Agency	GF and WCF
	Defense Health Program	GF
	Defense Medical Program Activity	GF
	DoD Education Activity	GF
	DoD Education Benefits Fund	GF
	Tricare Management Activity	GF
	Voluntary Separation Incentive Trust Fund	GF
	DoD Human Resources Activity	GF
	★Defense Technology and Security Agency	GF
	Ready Reserve Mobilization Income Insurance Fund	GF (a revolving fund)
Under Secretary of Defense (Comptroller) (USD(C))	Defense Contract Audit Agency	GF
	DFAS	GF and WCF
	★Military Housing Privatization Initiative	GF
	DoD Component Level Accounts	GF
	Management Systems Support Office	WCF

Table 2-3

RESPONSIBLE OFFICIAL	OTHER DEFENSE ORGANIZATIONS SUBENTITIES	FUND TYPE
Under Secretary of Defense (Policy)	Defense Security Cooperation Agency	GF
	★Host Nation Support for U.S. Relocation Activities, Defense	GF
	Defense Prisoner of War/Missing Persons Office	GF
Assistant Secretary of Defense (Command, Control, Communications and Intelligence)	Defense Information Systems Agency	GF and WCF
	Defense Intelligence Agency	GF
	Corporate Information Management	WCF
	Defense Security Service	GF and WCF
	National Imagery and Mapping Agency	GF
Director, National Security Agency	National Security Agency	GF
Inspector General, Department of Defense	Office of the Inspector General (OIG), DoD	GF
Director, Joint Staff	Joint Chiefs of Staff	GF
Unified Combatant Command	U.S. Special Operations Command	GF
Director, Washington Headquarters Services (WHS)	Court of Appeals of the Armed Forces	GF
	American Forces Information Service	GF
	Office of the Secretary of Defense (OSD)	GF
	Pentagon Reservation Maintenance Revolving Fund	GF
	WHS	GF
	Building Maintenance Fund, Defense	GF
	Other “97” funds provided to WHS by OSD	GF
	All Other (Prior Year Residual) “97” Funds	GF
	★Defense Legal Services Agency	GF
	★Civil Military Program	GF
Assistant Secretary of the Army (Financial Management and Comptroller) (FM&C)	Emergency Response Fund, Defense	GF
	Homeowners Assistance Fund, Defense	GF
	National Security Education Trust Fund	GF
	Other “97” funds provided to the Army by OSD	GF
Assistant Secretary of the Navy (FM&C)	Other “97” funds provided to the Navy by OSD	GF
Assistant Secretary of the Air Force (FM&C)	Other “97” funds provided to the Air Force by OSD	GF

Table 2-3 (Continued)

020104. Reporting of Foreign Military Sales (FMS) Activity in the DoD Financial Statements. The Defense Security Cooperation Agency administers the FMS programs on behalf of the Executive Office of the President. The OMB, in coordination with the General Accounting Office (GAO), has approved the following provisions regarding the specific information on the financial activity of FMS programs, that is to be included in the DoD financial statements.

A. Amounts for FMS procurement by contract (nonfederal) shall not be reported in the DoD Agency-wide Statement of Net Costs but shall be disclosed in a footnote. Management's estimate of the amount of FMS program procurements by contractors during the period shall be included only in note 19 of the DoD Agency-wide consolidated financial statements.

B. A Statement of Custodial Activity shall be prepared for cash receipts and disbursements of the FMS Trust Fund (Treasury Index 11X8242) and included in the DoD Agency-wide consolidated financial statements. Guidance concerning the preparation of the Statement of Custodial Activity is contained in Chapter 9 of this volume.

C. Revenue and expense amounts pertaining to FMS goods or services provided from the stocks of the DoD Components on a reimbursable basis shall continue to be reported in the financial statements of the applicable selling DoD Component and in the DoD Agency-wide consolidated statements. Guidance concerning the identification of interagency transactions is contained in Chapter 13 of this volume.

D. Revenue and expense amounts pertaining to the FMS administrative expenses shall be included in the DoD Agency-wide consolidated financial statements as a portion of "Other Defense Organizations, General Funds." Guidance concerning the identification of interagency transactions is contained in Chapter 13 of this volume.

E. Principal statements for the following accounts are not required. Information shall be provided by the DFAS Denver Site, Directorate for Security Assistance, however, in the Other Accompanying Information section of the DoD Agency-wide report, on the allocations and authorities received from the Executive Office of the President for appropriated funds (i.e., 11*1081, 11*1082, and 11*1084) and revolving funds (11X4116, 11X4121, 11X4122 and 11X4174). See Chapter 3, section 0303 of this volume.

0202 REPORTING SCHEDULES AND QUALITY CONTROL REVIEWS

★ 020201. Annual Financial Statements. The OMB requires each of the reporting entities identified in the OMB Bulletin Number 01-02, "Audit Requirements for Federal Financial Statements" to submit financial statements by pre-defined due dates each year. All audited reports must be submitted to OMB for review at least 10 working days prior to the applicable deadline. A detailed financial statement reporting schedule will be provided under a separate memorandum.

★ 020202. Interim Financial Reporting. For FY 2003, unaudited interim financial statements for each of the reporting entities identified in OMB Bulletin Number 01-02 shall be prepared and submitted to OMB on a quarterly basis (December 31, March 31, and June 30) no later than 45 days after the end of the reporting period. Beginning with the quarter ending

March 31, 2004, and out, statements shall be prepared and submitted to OMB on a quarterly basis no later than 21 days after the end of the reporting period. A detailed financial statement reporting schedule will be provided under a separate memorandum.

★ 020203. Quality Control Reviews of Financial Statements and Notes. Each component listed below, along with DFAS, shall review their financial statements and notes to determine the completeness of financial information provided by both the accounting activity and the various Component functional organizations.

- A. Department of the Army GF
- B. Department of the Navy GF
- C. Department of the Air Force GF
- D. Army WCF
- E. Navy WCF
- F. Air Force WCF
- G. DoD Military Retirement Fund
- H. USACE (Civil Works)
- I. ODO GF
- J. ODO WCF
- K. DoD Agency-wide
- L. Defense Agencies preparing internal DoD required financial statements
- M. DoD Medicare-Eligible Retiree Health Care Fund

★ 020204. Key Audited Financial Statements Preparation Due Dates. The development and publication of the audited financial statements requires coordinated actions by entity management, the supporting accounting organization, and the audit community. The key milestones in the development of the audited financial statements will be provided under a separate memorandum. The schedule applies to all reporting entities identified in paragraphs 010601 and 010605 as well as to all ODO subentities identified in Table 2-3.

★0203 MANAGEMENT REPRESENTATION LETTERS

Auditors shall require the responsible senior manager to prepare and submit a management representation letter, for each reporting entity audited, prior to the conclusion of an audit. During the audit, the management function makes many representations to the auditor, both oral and written, in response to specific inquiries and through the financial statements. In the management representation letter, the senior responsible manager confirms the representations explicitly or implicitly given to the auditor, indicates and documents the continuing appropriateness of such representations, and reduces the possibility of misunderstanding concerning the matters that are the subject of the representations. Representations by management generally relate to: (1) the financial statements; (2) completeness of the information; (3) recognition, measurement, and disclosure; and (4) subsequent events. Specifically, the management function shall represent that the financial statements do, or do not, present fairly in accordance with federal generally accepted accounting principles and the OMB form and content guidance the financial status of the reporting entity. The OMB Bulletin

Number 01-02, "Audit Requirements for Federal Financial Statements," dated October 16, 2000, includes an illustrative management representation letter (Also, see the OMB memorandum, "Legal and Management Representation Letters" dated June 4, 2002). Management representation letters are due to the office performing the entity's audit by due date specified in the financial statement reporting schedule.

020301. Signature levels for management representation letters are indicated below:

A. The Secretary or Under Secretary of the Military Department concerned shall sign a management representation letter in support of the audited financial statements for a Military Department's GF and WCF.

B. The Director or Deputy Director of the Defense Agency concerned shall sign a management representation letter in support of the audited financial statements for a Defense Agency.

C. The fund manager of the trust or revolving fund concerned shall sign a management representation letter in support of financial statements for a trust or revolving fund managed by the Office of the Secretary of Defense or Defense Agency.

D. The USD(C) shall sign a management representation letter for the DoD Agency-wide financial statements.

E. The Director or Principal Deputy Director of the DFAS, or the Director of the applicable DFAS Center, shall provide a certification to the USD(C), respective Military Department Secretary, Defense Agency Director, or trust fund manager as supporting documentation for that component's management representation letter. The Director, DFAS, however, shall not sign, or cosign, management representation letters (except for the management representation letter for the DFAS's own audited financial statements). When an office other than the DFAS provides accounting support, that accounting office shall provide the same type of certification. A sample of the certification to be provided by the DFAS or other accounting office is provided in Volume 6A, Chapter 2, paragraph 020210.

020302. Auditor requests for management representation letters below levels cited in paragraph 020301, above, should be referred to the USD(C), Office of the Deputy CFO (ODCFO) for resolution.

020303. Generally, the date of a management representation letter shall be the date the auditor issues the audit report on the entity's financial statements. Coordinating the two dates is essential. Management shall not provide auditors with presigned, undated letters or with predated letters. If auditors need an advance copy of the intended management letter, auditors

will include that requirement when submitting the initial request for the management representation letter. Active cooperation and interaction between auditors and management is expected so that the management representation letter reaches the auditors on the due date.

0204 LEGAL REPRESENTATION LETTERS

Interim and final legal representation letters, along with associated summaries, are the auditors' primary means of corroborating the information furnished by management concerning litigation, claims, and assessments. Legal representation letters are required for each of the reporting entities identified in paragraph 010601 of this volume. Legal representation letters for the reporting entities identified in that paragraph are intended to identify pending or threatened litigation and unasserted claims and assessments having an individual materiality that is a dollar amount at or above 2.5 percent of design materiality as defined in paragraph 1002.17 of the President's Council on Integrity and Efficiency (PCIE)/GAO's "Financial Audit Manual." Individual legal letters and summaries also shall be submitted for any entity listed in paragraph 010605 of this volume that is expected to get a favorable audit opinion.

★ 020401. Upon receipt of the audit agency request, it is the responsibility of the senior financial management official of the entity being audited to request interim or final legal representation letters from the General Counsel of the Military Department or Defense Agency that is being audited. Judge Advocates General shall not be requested to furnish legal representation letters, rather the legal representation letters requested from the General Counsel of the Military Departments shall include the request that the General Counsel report matters involving both military and civilian counsel. Requests for a legal representation letter pertaining to the defense-wide financial statement and to any defense-wide account audited separately, such as the Military Retirement Fund, shall be sent to the General Counsel, Department of Defense (GC, DoD). Copies of any letters prepared by the General Counsel of the Military Departments and the Defense Agencies shall be provided to the GC, DoD, Attention: Deputy General Counsel (Fiscal) (DGC(F)) and to the IG, DoD or other independent auditors performing the audit. Letters provided to the GC, DoD shall report only cases at or above the materiality threshold established for that year's defense-wide financial statement audit. Each year, the ODGC(F) shall advise the counsel of the Military Departments and the Defense Agencies preparing legal representation letters of the mandatory times for submission of the legal representation letters (specified in the financial statement reporting schedule) and the applicable defense-wide materiality threshold for that year's defense-wide financial statement.

★ 020402. The official responsible for a reporting entity's financial statements or that official's designee shall prepare, and submit to the auditors for their review, a summary of the General Counsel's legal representation letter. The required formats are provided at Figure 2-1 as well as in Appendix H-3 of the OMB Bulletin Number 01-02, "Audit Requirements for Federal Financial Statements." The DoD due dates for the interim and updated legal letters and the associated summaries are reflected in the financial statement reporting schedule. The required summaries of the legal letters shall be submitted to the cognizant audit agency for the reporting entity, to the entity's supporting accounting center, and to the ODCFO.

★ 020403. Rather than having the cognizant auditors submit copies of the interim and updated legal representation letters, along with the summaries of the information contained in these responses, for each reporting entity, the GAO has agreed to use the single summary of the various legal representation letters prepared for submission with the DoD-wide statements. The IG, DoD and ODCFO shall make the required submission to the OMB, the Department of the Treasury, and the GAO per the due dates in the financial statement reporting schedule.

FORMAT FOR SUMMARIZING INFORMATION CONTAINED IN LEGAL RESPONSES FOR FINANCIAL REPORTING PURPOSES¹

[Reporting entity] [DATE]								
1	2	3	4	5			6	7
Reference Key	Amount Claimed	Name of Case/ Related Cases	Likelihood of Loss	Amount or range of potential loss			Disposition in Financial Statements	
				(a) P	(b) R/P	(c) Upper	Amount Recorded	Note Disclosure
	\$			\$	\$	\$	\$	
¹ As required by paragraph 8.b of OMB Bulletin No. 01-02, the CFO shall prepare and the auditor shall review a summary of the information contained in the legal counsel's response using this format. An electronic version of this form is available in Microsoft Excel on the Internet at OMB's website http://www.whitehouse.gov/OMB/ (under "Bulletins").								

Figure 2-1

020404. Instructions for Legal Responses for Financial Reporting Purposes Summary by Column

1. Matters should be listed on this schedule in order of the amount or range of potential loss, starting with the largest.

2. The level of aggregation should generally be at the same level as in the legal counsel's letter. However, there may be instances where the level of aggregation is too high to be able to prepare this schedule in a way that is meaningful. In such cases, the CFO should work with legal counsel to provide further disaggregation of dissimilar cases. There may also be other instances where a higher level of aggregation is desirable. CFOs should use professional judgment, considering the purpose of this schedule when determining the level of aggregation.

Column 1, Reference Key: Page number of the legal representation letter obtained from the cognizant General Counsel discussing the case, or other reference information.

Column 2, Amount Claimed: Include the amount claimed in the litigation, claim, or assessment (if specified).

Column 3, Name of Case/Related Cases: Identify the case or related cases.

Column 4, Likelihood of Loss: List the General Counsel’s evaluation of the likelihood of loss:

Options:	P:	Probable (loss likely to occur)
	R/P:	Reasonably Possible (the chance of loss is less than probable, but more than remote)
	R:	Remote (chance of loss is slight)
	U:	Unable to express an opinion or unable to determine

Column 5, Amount or Range of Potential Loss:

Options:	5.a:	Probable (P): Provide single estimate or lower end of range, if known. Enter “U,” if unknown. (Also, provide column totals.)
	5.b:	Reasonably Possible (R/P) Provide single estimate or lower end of range, if known. Enter “U,” if unknown. (Also, provide column totals)
	5.c:	If the estimate in 5.a or 5.b is a range, provide upper end of range; otherwise, enter “n/a.”

Column 6, Disposition in Financial Statements: Amount Recorded: If applicable, provide dollar amount recorded as a liability in the financial statements. (Also, provide column totals.)

Column 7, Disposition in Financial Statements: Note Disclosure: If applicable, indicate by note reference number whether case information is separately disclosed or included in amounts disclosed in notes to the financial statements.

0205 GENERAL PREPARATION INSTRUCTIONS

020501. The principal statements and notes embody the generally accepted accounting principles contained in the Statements of Federal Financial Accounting Concepts (SFFACs) and Statements of Federal Financial Accounting Standards (SFFASs). The SFFACs and SFFASs have been, or will be, incorporated into the accounting policy and guidance contained in this Regulation. Preparers of financial statements seeking detailed guidance on matters involving the recognition requirements for transactions and information covered by the SFFASs should refer to this Regulation. If sufficient guidance is not found in this Regulation, preparers shall follow the generally accepted accounting principles hierarchy contained in Volume 1, Chapter 8 of this Regulation.

020502. Preparers of financial statements and notes shall crosswalk their unique general ledger accounts to the United States Government Standard General Ledger (USSGL) chart of accounts and at a lower level of detail to include Treasury Department's Financial Management Service, FACTS I attributes, the Department's trading partner information, and other DoD required attributes to prepare statements and footnote schedules. The USSGL, with FACTS attributes, shall be used to prepare audited financial statements. Preparers of financial statements must provide the following computer files with each version of financial statements and notes: financial statements, notes, the trial balance used to prepare the statements, and the eliminations worksheets (as required in Chapter 13 of this volume). The computer files shall be submitted via e-mail to the DFAS-Arlington Accounting Directorate with a copy of the computer files provided to the ODCFO (A&FP&A).

★ 020503. The DoD Components/Reporting Entities shall prepare a comparative Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, Statement of Financing and Statement of Custodial Activity beginning with the reporting period ending September 30, 2002. Interim financial statements shall be prepared on a comparative basis beginning with the quarter ending March 31, 2003. Data presented in the prior year column must be identical with the amounts reported on the financial statements of the prior year. In addition, any significant variances in the values reported from 1-year to the next on a report line of the balance sheet and statement of net cost shall be explained in the footnotes. Significant variances are those that exceed 10 percent (plus or minus) from the prior year amount for the same line item on the statements and/or that exceed 2 percent (plus or minus) of the total assets amount reported on the balance sheet. Also, schedules presented in the footnotes, in support of amounts presented in financial statements, shall have total figures which agree with the amounts presented in the body of the financial statements. The chosen rounding level shall be maintained consistently throughout the principal statements and footnotes in accordance with paragraph 020509. In addition, rounded totals shall agree between the principal statements as applicable (e.g., the Net Position – end of the period line from the Statement of Changes in Net Position equal the Total Net Position line on the Balance Sheet). Individual line items shall sum to the totals. (This may require adjusting the individual detail line items for differences created by the rounding process rather than adjusting column totals.)

020504. User judgment shall be exercised to determine if it is appropriate to exclude from the final published statements some statement line items, footnotes, and lines or columns in footnotes that do not apply to the reporting entity. In order to ensure consistent and accurate aggregation of amounts from suborganizations, however, such lines may not be excluded prior to the submission of the final published version. Due to the short timeframes available for statement consolidation at the agency level, preparers are not authorized to combine lines for which the referenced account balances are immaterial.

020505. Do not designate in the footnotes as “other” any discrete balances of a material amount. Material balances shall be separately reported and designated by name. Material is defined for this purpose as any component of a line item that represents more than 10 percent of the value of the line in the principal statements.

020506. The footnote numbering sequence contained in Chapter 10 of this volume shall be maintained in all working versions of the notes in order to ensure consistent and accurate aggregation to the DoD agency level. If a note is not applicable for the reporting entity, so state after the note number and title. If additional footnotes are necessary to provide required disclosures, number them sequentially as explained in Chapter 10 of this volume.

★ 020507. The accounting policies and procedures shall be applied consistently throughout the financial statements. Ensure the amounts reported throughout the financial statements, footnotes supplemental information and the Management Discussion and Analysis are consistently reported. Also ensure that schedules presented in the footnotes, in support of amounts presented on financial statements, have total figures that agree with the amounts presented in the financial statements. Financial information reported in multiple footnotes or other sections shall be reported in a consistent manner. To the extent that information is not available for the accelerated reports, a reliable, alternative method of estimating amounts and balances shall be developed and disclosed.

020508. The Balance Sheet, Statement of Net Cost and the Statement of Changes in Net Position principal statements shall be prepared as consolidated and consolidating statements, net of intraentity transactions. The Statement of Budgetary Resources shall be prepared as combined and combining statements and the Statement of Financing (a hybrid) shall be prepared as combined and combining statements.

020509. The DoD Agency-wide final published financial statements and notes shall display dollars rounded to millions with one decimal point. All Component statements shall display dollar amounts rounded to the nearest whole thousand on the final published principal statements and in the tables/schedules contained in the notes to the principal statements. To improve communication among preparers, reviewers and auditors during the preparation process and to avoid excessive workload associated with the resolution of rounding errors, all accounting activities shall report amounts as dollars and cents on all draft/working versions of the principal statements and notes prior to submission by the reporting entity of the final audited financial statements.

020510. Reporting entities that choose to present additional financial statements or information shall include these in the Other Accompanying Information section.

020511. The financial statements of the reporting entities identified in section 0106 shall be organized as displayed in Chapter 1, Table 1-1 of this volume.

★ 020512. Reporting entity managers are responsible for the preparation and printing of the final complete annual audited version of their financial statements (see paragraph 010601 for audited financial statements required by the OMB). Ten advance copies of the final complete annual audited version of the financial statements and one set of electronic portable document (PDF) files shall be submitted to the Office of the Under Secretary of Defense (Comptroller), Office of Deputy Chief Financial Officer (ODCFO), Accounting and Finance Policy and Analysis Directorate, 1100 Defense Pentagon, Room 3A882, Washington, DC 20301-1100 for OMB review at least 10 workdays before the formal distribution to the OMB and the Congress (per the Reports Consolidation Act, P.L. 106-531). Forty copies of the final published version of the complete annual audited financial statements report and one set of electronic PDF files shall be submitted to the same office address for formal distribution to OMB and Congress by the due specified in the financial statement reporting schedule. Also, unaudited quarterly interim financial statements shall be submitted to the ODCFO using electronic PDF files by the due dates specified in the financial statement reporting schedule.

★ 020513. The Department's financial statements will be posted electronically to the USD(C) web site. Reporting entity managers will provide the ODCFO (A&FP&A) with computer files of their financial statements for posting to the USD(C) web site by the due date specified in the financial statement reporting schedule. The files will be prepared in the PDF file type. If the reporting entity includes a large number of digital images the PDF can be very slow for users to access on the USD(C) web site. In those cases it is beneficial and it is encouraged to prepare separate files for each section of the financial report.

020514. The DFAS, the OUSD(AT&L), and the OUSD(C) have responsibility for various sections of the DoD Agency-wide financial statements and for providing information to the Department of the Treasury, Financial Management Service (Treasury FMS) for inclusion in the Financial Report of the United States Government.

A. The DFAS is responsible for preparing the draft/working versions and final version of the principal statements, the notes to the principal statements, the Required Supplementary Information section (except for the deferred maintenance information), the Supporting Consolidating/Combining Statements, and the Other Accompanying Information section of the DoD Agency-wide financial statements. In addition, the DFAS shall ensure that the FACTS I submissions are transmitted to the Treasury FMS and that the Treasury FMS also receives the DoD Agency-wide RSSI section (see subparagraph 020514.B of this volume) via FACTS I notes for use in the Financial Report of the United States Government, the government-wide audited financial statements (see "FACTS I Reporting and Verification," Chapter 6 of Volume 6A of this Regulation for guidance on FACTS I reporting).

★ B. The OUSD(AT&L) is responsible for compiling the complete RSSI section and the deferred maintenance information for the RSI section of the Department's Agency-wide financial statements. The OUSD(AT&L) shall provide this information, electronically, to the DFAS for inclusion in the working versions and final version of the DoD

Agency-wide financial report per the due dates in the financial statement reporting schedule. In addition, the OUSD(AT&L) is responsible for coordination with Treasury FMS and shall provide the RSSI and RSI deferred maintenance information to the DFAS for inclusion in FACTS I notes to Treasury FMS for inclusion in the Financial Report of the United States Government.

C. The OUSD(C) is responsible for preparing the Management Discussion and Analysis section of the Agency-wide financial statements. OUSD(C) is responsible for the submission of the DoD Agency-wide financial statements to the OMB and the Congress.