



DEFENSE FINANCE AND
ACCOUNTING SERVICE
WORKING CAPITAL FUND

2022 AGENCY FINANCIAL REPORT

INTEGRITY | SERVICE | INNOVATION

ABOUT THIS DOCUMENT

Defense Finance and Accounting Service (DFAS) is pleased to present the Fiscal Year (FY) 2022 Agency Financial Report (AFR). This report provides high-level financial information for the FY related to our mission and stewardship of resources.

The purpose of the DFAS FY 2022 AFR is to inform the President, Congress, and the American people about how DFAS used Federal resources entrusted to the Agency to reliably deliver first-class accounting and finance services to the Department of Defense (DoD).

The AFR highlights our activities, accomplishments, progress, and financial analysis for the FY. It contains our Financial Statement Audit Report along with management's assurances on internal controls.

This report is prepared in compliance with Office of Management and Budget's (OMB) Circular No. A-136, Financial Reporting Requirements. The AFR is available online at www.dfas.mil.

HOW THIS REPORT IS ORGANIZED

Section I

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section provides a high-level overview of our organizational structure and mission; selected accomplishments; analysis of financial performance; and management's assurances on systems, legal compliance, and controls.

Section II

FINANCIALS

This section begins with a letter from our Chief Financial Officer and includes our Agency's independently audited financial statements and notes, along with the related Independent Auditor's Report.

Section III

ADDITIONAL

This section contains additional information such as a glossary of acronyms and photo captions.



A U.S. Marine with III Marine Expeditionary Force Information Group walks across a rope bridge during an endurance course at Jungle Warfare Training Center, Camp Gonsalves, Okinawa, Japan, March 24, 2022. The endurance course is the culminating event of Basic Jungle Skills Course, it consists of traveling through 3.8 miles of jungle terrain, overcoming multiple physical obstacles, water obstacles, rappelling cliffs, and hills. (U.S. Marine Corps photo by Cpl. Colton K. Garret)

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DIRECTOR'S MESSAGE

MESSAGE FROM THE DIRECTOR



A handwritten signature in black ink that reads "Audrey G. Davis".

Hello and thank you for taking a moment to review the DFAS FY 2022 Agency Financial Report. This report is far more than a presentation of our financial statements; it provides a picture of the close alignment and partnerships we have with our Department leadership and our customers, and is a snapshot of our dedication to proudly serving America's heroes over the past 31 years.

In this document, you will learn about various projects we have underway or have completed throughout the fiscal year. For example, we continue to lead in audit results, earning our 23rd consecutive unmodified audit opinion on the DFAS Working Capital Fund financial statements. We also successfully completed the first year of our most recent five-year strategic plan with incredible results. As we fine-tuned how we work, with many of our employees executing tasks from home, while others continued from or reentered our physical office locations, the DFAS team of diverse talent, skill, and perspectives executed our mission. The DFAS Team of Teams also successfully began work on our four strategic priorities of Strengthen Customer Partnerships, Modernize the Business Environment, Enhance Performance, and Invest in People.

As we enter FY 2023, we continue to focus on delivering value to our customers, and are working daily to accelerate their mission capabilities through our partnerships with them. Our enhanced vision and mission statements from last year continue to guide us in keeping our commitment to excellence. These statements remain our compass.

Our enhanced Vision is to be a valued partner in financial management by consistently delivering first-class service and products. Our enhanced Mission is to deliver financial excellence and quality pay services to our customers. Our Core values remain the same: Integrity, Service, and Innovation. These fundamental values fully support our vision and mission.

Through the foundations of our mission, vision, and core values, and woven into the links we have to the Secretary of Defense Priorities, the National Defense Strategy, and the Department's FY22-26 Financial Management Strategy, we continue to help the Department reach new heights.

During this past fiscal year, DFAS has continued to mold the challenge of the pandemic into opportunity, and I am proud of the way the DFAS workforce exceeds goals and expectations. I want to thank our people, who perform and produce results with unwavering dedication. The backbone of our proven record of success is our collective knowledge, skill, and determination, which allows the DFAS Team of Teams to be the shared service provider that can be counted on year after year. At DFAS, it is in our DNA to seek continuous improvement, to make things better, and I am grateful to lead the dedicated DFAS workforce who support the men and women of our armed forces and the Nation every day.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DFAS AT A GLANCE

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COMPLIANCE AND REGULATIONS

FINANCIAL DISCUSSION AND ANALYSIS





U.S. Marine Corps Lance Cpl. Mark McCabe, a Lakeland, Florida, native and chemical, biological, radiological, and nuclear defense specialist with 2nd Battalion, 10th Marine Regiment, 2nd Marine Division, conducts a tear gas raid during Exercise Rolling Thunder 22-2 on Fort Bragg, N.C., April 8, 2022. This exercise is a 10th Marines-led live-fire artillery event that tested the unit's abilities to operate in a simulated littoral environment against a peer threat in a dynamic and multi-domain scenario. (U.S. Marine Corps photo by Lance Cpl. Ryan Ramsammy)

DFAS AT A GLANCE



The DoD established DFAS in 1991 to provide finance and accounting services for DoD components during times of peace and conflict.

Today, we support military and civilian customers throughout the world. Our mission emphasizes the importance of DFAS's leadership role in standardizing and improving finance and accounting activities across the federal government.

DFAS pays all DoD military personnel, retirees and annuitants; civilians for all of DoD; and additional federal customers. DFAS is also a shared services provider, supporting electronic government initiatives in partnership with customers such as the Executive Office of the President, the Department of Energy, the Department of Veterans Affairs, the Department of Health and Human Services, and the U.S. Agency for Global Media.

Financed as a working capital fund, instead of through direct appropriations, DFAS bills its customers for the costs required to provide services. The Agency sets annual billing rates for services two years in advance based on anticipated customer workload and estimated costs calculated to offset any prior year gains or losses.

DFAS's operations are subject to oversight by the DoD as well as the executive and legislative branches of the federal government. DFAS has consistently improved its financial processes, systems and tools to understand, manage and improve cost directly aligned to the National Defense Strategy (NDS). These improvements include shedding outdated management practices and structures, while integrating insights from business innovation. The Agency aims to support military readiness and achieve reform through greater performance and affordability, predictive analytics and continuous communication. We have always focused on the goal of providing services at the best value for our customers.



WHAT WE DO

DFAS is the principal Department of Defense executive for finance and accounting requirements, systems, and functions. That role includes the responsibility to direct the consolidation, standardization, and integration of finance and accounting requirements, functions, procedures, operations, and systems within the Department of Defense.

MISSION

Deliver financial excellence and quality pay services for our customer.

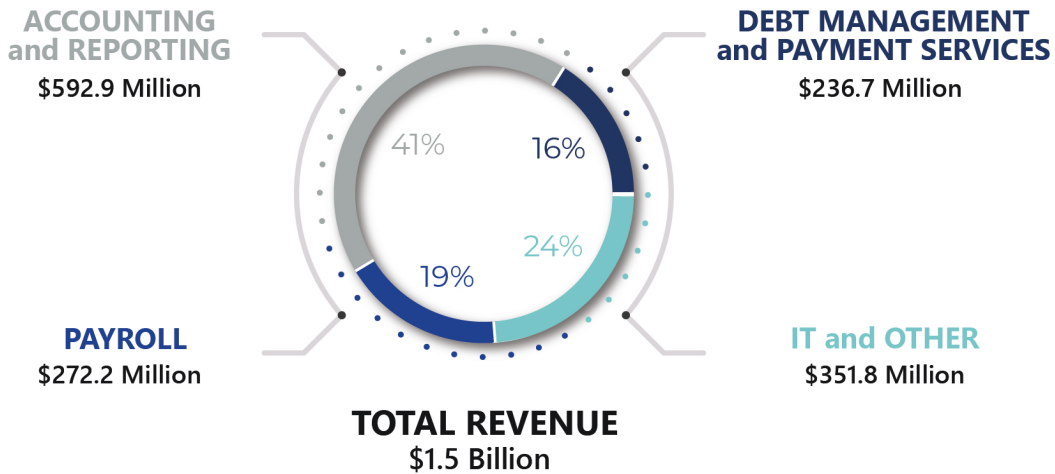
VISION

To be a valued partner in financial management by consistently delivering first-class service and products.

CORE VALUES



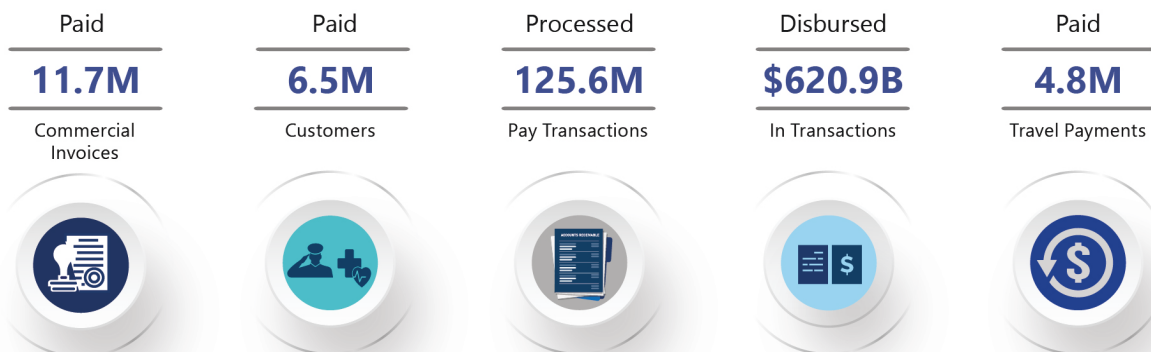
OUR REVENUE STREAMS



FINANCE AND ACCOUNTING SERVICES



PAY PEOPLE AND VENDORS



OUR CUSTOMERS

WITHIN THE DoD



ALL DoD MILITARY PERSONNEL, RETIREES,
ANNUITANTS AND CIVILIAN PERSONNEL

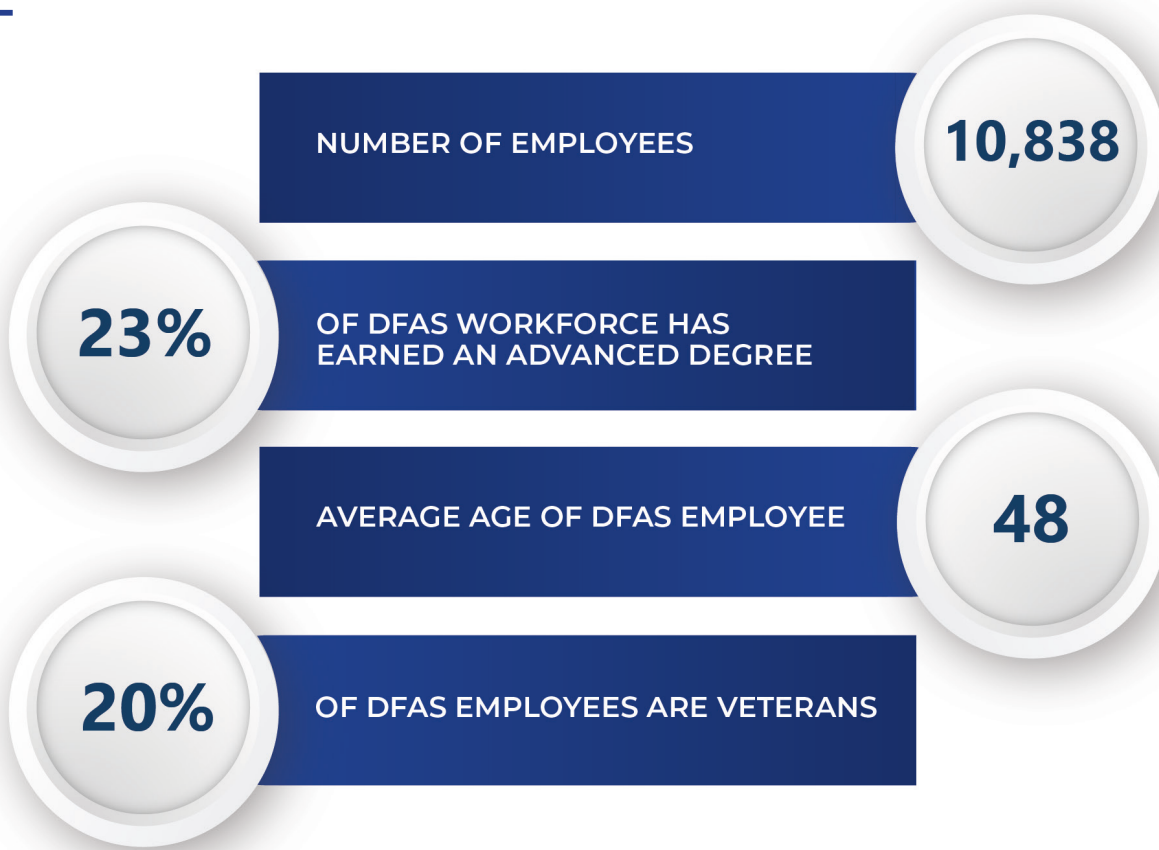
DEFENSE AGENCIES AND
THE OFFICE OF THE SECRETARY OF DEFENSE

MAJOR DoD CONTRACTORS AND VENDORS

OUTSIDE OF THE DoD

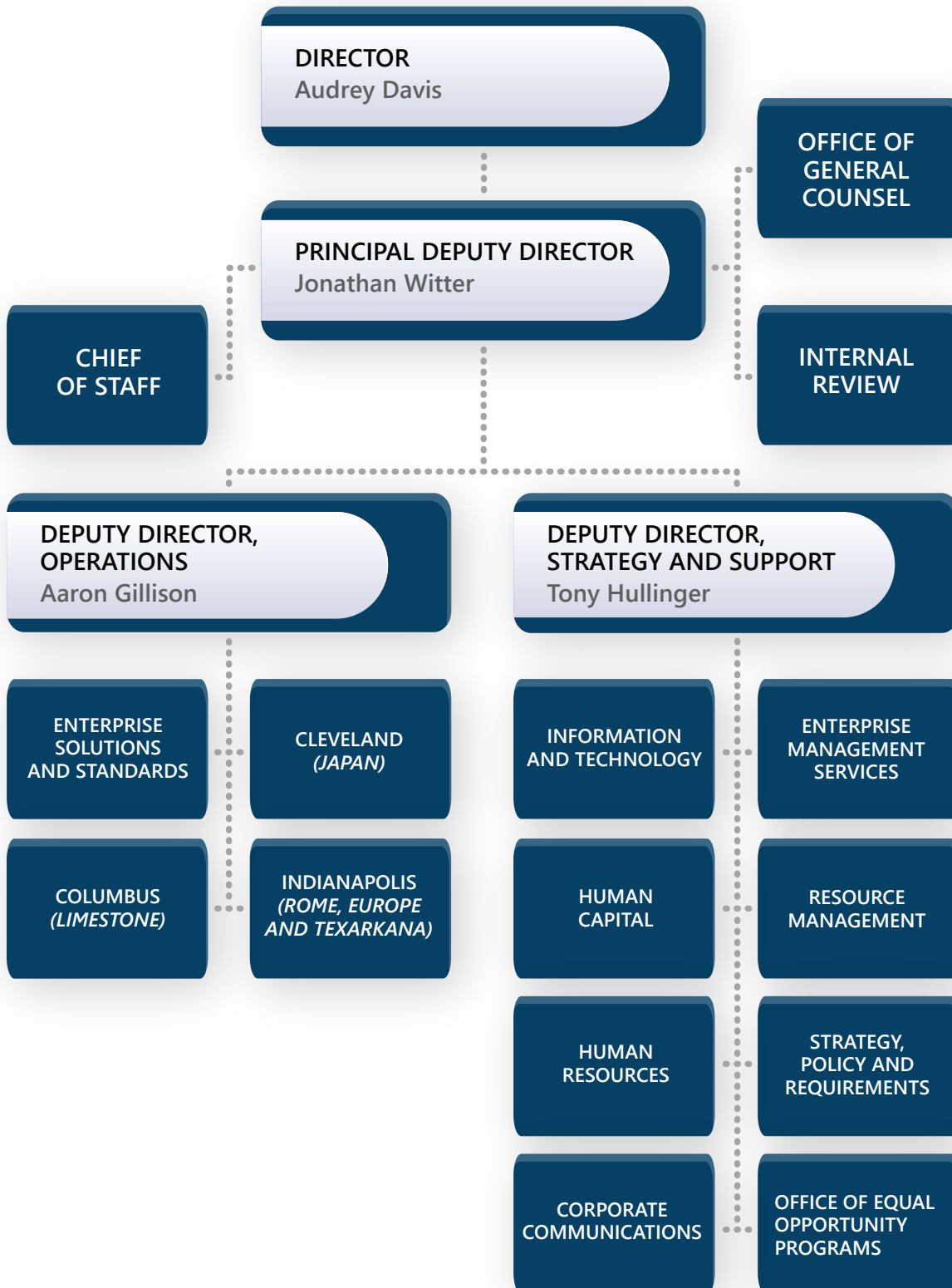


DFAS BY THE NUMBERS





ORGANIZATIONAL CHART



EXECUTIVE BOARDS

BOARD OF DIRECTORS

Approves DFAS's strategy, oversees the budget formulation and execution, approves recommendations from the Enterprise Business Council, and acts as the Agency's Internal Audit Committee.

Members: Director, Chair; Principal Deputy Director; Deputy Director, Operations; and Deputy Director, Strategy and Support.

STRATEGIC COUNCIL

Evaluates content and structure of the DFAS strategy, corporate operational dashboard, and other Agency priorities to successfully execute strategy.

Members: Director, Chair; Principal Deputy Director; Deputy Director, Operations; Deputy Director, Strategy and Support; DFAS senior executives and key GS-15s.

ENTERPRISE BUSINESS COUNCIL

Serves as the DFAS governance body chartered to fulfill a number of statutory/regulatory requirements, and provides a forum for discussion and vetting of business case analyses or other fact-based analyses and requirements for enterprise-wide programs.

OUR LOCATIONS

Indianapolis, IN

Cleveland, OH

Columbus, OH

Bratenahl, OH

Rome, NY

Limestone, ME

Texarkana, TX

Alexandria, VA

Kaiserslautern, Germany

Yokota Air Base, Japan

INTRODUCTION



U.S. Army paratroopers assigned to the 1st Battalion, 503rd Parachute Infantry Regiment, 173rd Airborne Brigade, Italian Army paratroopers assigned to 4th Alpini Regiment, Folgore Brigade and Italian Army assigned to Command of the Army Special Forces (COMFOSE), conduct an airborne operation onto Juliet Drop Zone in Pordenone, Italy on July 7, 2022. (U.S. Army photo by Paolo Bovo)

Fiscal Year (FY) 2022 marks the first year of our new five-year FY22-26 Strategic Plan. This plan has four priorities: Strengthen Customer Partnerships, Enhance Performance, Modernize the Business Environment, and Invest in People. This plan has been carefully tailored to position DFAS to deliver quality customer service while enhancing employee development. This year, our Agency Financial Report (AFR) takes a deeper look at the strategy and the goals our leadership plan to achieve. We then take a closer look at our audit support and how we continue to be an example to agencies with our 23rd unmodified financial statement audit opinion. Finally, we discuss the Defense Agencies Initiative (DAI) and our transition to this innovative system.

A New Strategic Plan

DFAS's strategic plan lays out a detailed approach for areas of improvement within the Agency. With Strengthening Customer Partnerships, Enhancing Performance, Modernizing the Business Environment, and Investing in People as four critical areas to hone in on, this article discusses what areas we will focus our priorities on in the next five years after wrapping up a successful strategic plan last year.

Audit Accomplishments

The annual goal for DFAS is to sustain an unmodified audit opinion, and this year DFAS WCF celebrates its 23rd consecutive unmodified financial statement audit opinion. To maintain this opinion, DFAS adopts audit strategies, accounting principles, and internal control toolsets into daily business practices to achieve and sustain DoD audit goals. We discuss our tried and true practices that show an accurate depiction of our

financial statements and highlight our accomplishments as a service provider to help our customers achieve their audit goals.

Defense Agencies Initiative

As we continue with our innovative strategy and build upon audit accomplishments, DFAS will be joining 27 other Defense Agencies to implement the Defense Agencies Initiative (DAI) during FY 2023. This transition came with great planning and attention. DFAS launched the DAI system in a phased approach. First, Oracle Time and Labor (OTL) was introduced in June 2022. Once this was successfully implemented, DFAS debuted a complete financial system transition in October 2022. We brush on the highlights of this two-year endeavor and discuss the steps we continue to take to achieve an unmodified financial statement audit opinion in the future.



Sailors assigned to the guided-missile destroyer USS Delbert D. Black (DDG 119) handle line during a replenishment-at-sea with the Military Sealift Command dry cargo and ammunition ship USNS Matthew Perry (T-AKE 9) in the Gulf of Oman. (U.S. Navy photo by Mass Communication Specialist 3rd Class Jeremy R. Boan)

THE NEW STRATEGIC PLAN



Members of 7th Special Forces Group (Airborne) conduct overnight land navigation during assessment training at Camp "Bull" Simons, Fla., April 26, 2022. (U.S. Army photo by Sgt. Carolina Sierra)

DFAS has a long-held belief that in order to be prepared for the future, action must be taken now. To that end, the Agency is purposeful in establishing a formal strategic plan, structured in such a way as to give a framework to guide action over time that will result in the achievement of stated outcomes. In fiscal year (FY) 2022, DFAS continued its tradition of publishing a forward-looking strategic plan by kicking off four new strategic priorities for FY 2022-2026. These priorities are ***Strengthen Customer Partnerships, Enhance Performance, Modernize the Business Environment, and Invest in People***, and their development was achieved through collaboration among DFAS's dedicated strategy team, customers, and the executive and mission area leaders of the Agency.

Work began on the FY 2022-2026 plan last year by performing an environmental scan. This meant examining current Department of Defense (DoD) documents and publications, including Secretary Austin's priorities, the National Defense Strategy, and the DoD Financial Management Strategy. The team performed an extensive publication review, using the results to understand Agency strengths and weaknesses and also identify opportunities and potential threats. The team also looked inward, interviewing executives and mission area leaders to learn their perspectives of what was on the horizon for DFAS and its customers. The results of the environmental scan led to the selection of the four priorities as a framework for the new DFAS strategy.

By 2026, DFAS will have...

OUR MISSION

Deliver financial excellence and quality pay services for our customer



OUR VISION

To be a valued partner in financial management by consistently delivering first-class service and products



DFAS utilizes a five-year strategic plan, which provides a stable structure to work towards annual goals, but also allows the flexibility needed to stay relevant in a changing world. Once the environmental scan was complete and the framework was set, formulation of the plan was underway with the vision and mission statements. The vision statement is the guiding star – the star we steer by as we move through our strategy. DFAS's vision is to be a valued partner in financial management by consistently delivering first-class service and products. The mission statement is the compass used to steer toward that vision. We consider this statement when deciding how best to reach our 2026 outcomes, guiding us to deliver financial excellence and quality pay services to our customers.

The priorities, along with their corresponding outcome statements, define the FY 2026 future state and intended strategic results. By defining what success looks like, this provides insight

into areas of opportunity and serves as the foundation for development, alignment, and execution of annual business plans. To provide visibility and sponsorship, senior executives across DFAS serve as Priority Champions and Priority Outcome Leaders. Annual Business Plans (ABP) provide the structure needed to achieve priority outcomes by outlining year-over-year interim goals and key milestones along the way, ensuring a clear path to success over time. The yearly goals help keep the Agency laser-focused on desired results. To achieve annual goals, a portfolio of strategic initiatives is developed, executed, and monitored by senior executives and reported to the DFAS Strategic Council, DFAS's strategic governing body, on a monthly basis. Each year, DFAS conducts a business refresh to review Agency direction and strategic priorities, validate ABP goals, and ensure initiatives are properly aligned and resourced in support of goal achievement.



DFAS's new plan demonstrates strong linkages to the Secretary of Defense Priorities and the National Defense Strategy as well as the Department's Financial Management Strategy. Through these linkages, DFAS will help the Department succeed in reaching critical national defense objectives. DFAS is a key member of the DoD financial management community and as such, is a valued partner in the journey toward the future. Several of the initiatives included in the DFAS strategy are integral to the path towards success for the DoD Financial Management Strategy goals.

The priorities and initiatives chosen by DFAS for the FY 2022-2026 strategy are supportive of the Secretary of Defense priorities: Defending the Nation, Take

Care of People, and Succeed through Teamwork. Likewise, every DFAS strategic priority supports the National Defense Strategy's Building Enduring Advantages pillar. We are extremely proud of the work we do, and the strategic plan we've built to prepare our Agency for the future and do our part to help the Department succeed as well. At its core, this new strategy was built with DFAS's core values at its center. Above all things, DFAS upholds integrity, service, and innovation, and these values can be seen every day as DFAS employees execute not only this strategy, but also their daily mission to serve America's heroes.

FY 2022 - 2026 PRIORITIES



DFAS designed its ***Strengthen Customer Partnerships*** priority to emphasize enterprise-wide focus on partnering with our customers to identify opportunities and implement innovations. Within this priority are several areas of concentration, including looking to the services we provide for our civilian pay customers, increasing data standardization, and improving audit performance.

As we move into the future, we know that these customers expect our best, and we want to give our best to them. The most effective way to learn what our customers want is to ask them, and we are doing exactly that. We are mapping out the civilian payroll experience from their perspective and using that knowledge to modernize pay services to best serve customer needs. DFAS is also looking at its internal civilian pay business processes to ensure we are operating as efficiently as possible. Where we see opportunities to standardize and streamline, we will.

Data is another area where DFAS sees opportunities to standardize. As the Department's finance and accounting service, DFAS is perfectly positioned to advocate for best practices for data integrity. DFAS is the hub for incoming financial data that ultimately populates the Department's financial statements. This data comes from many customer sources (as well as from DFAS itself) and historically is delivered in extremely varied formats. As the Department grows more mature in its audit readiness, DFAS recognizes that the time is right to take

steps to ensure the financial data is more standard. By providing customers with specific information on areas where their data arrives in non-standard formats, opportunities to streamline the financial reporting process can be realized. Standard data means a smoother and more efficient financial reporting process and, ultimately, more auditable financial statements.

Also key to working toward more auditable financial statements is DFAS's ongoing effort to improve internal controls around Fund Balance with Treasury (FBWT), the Department's main general ledger account for cash. Traditionally a challenging account for auditors to navigate, FBWT has been identified as a DoD-wide material weakness. DFAS has taken the lead on action to downgrade this material weakness, and is executing a strategic initiative designed to adopt and document effective internal controls and business processes to detect and prevent significant risk for this account. In this way, we will reach our strategic outcome to position the Department for a clean audit opinion.

Success in standardizing data will also work to increase opportunities in the area of data analytics. DFAS is coming into its own as a leader in utilizing data to provide timely and impactful capabilities to make information available to leaders when they need to make decisions. DFAS's Data Analytics Center of Excellence (DACoE) continues to position itself, in partnership with our customers, to make the best use of the Department's data. This includes leveraging Advana, the Department's premier data analytics platform.



The **Enhance Performance** priority is formulated to give DFAS leaders a vehicle to move their main lines of business (financial services, accounting services, and commercial pay services) into the future through business environment modernization and increased efficiencies.

As we enhance our finance services, partnership with customers continues to be a central theme as we prepare for and execute the transition of expenditure reporting to U.S. Treasury from a monthly to a daily process. Traditionally, payments made by DFAS have been reported to the U.S. Treasury once a month. Moving forward, DFAS recognizes that the better, and more auditable way forward is to report payments on a daily basis. Daily reporting is more accurate and eliminates differences between DoD Accounting systems and the U.S. Treasury. This year, DFAS is working with multiple customers to transition payments to daily reporting.

DFAS will identify opportunities to enhance its accounting services through the proactive examination of what the future of financial management looks like. This strategic initiative is looking at benchmarking and best practices to identify opportunities to lead efforts toward best-in-class financial management. By engaging with customers from all points of the reporting process, from initial reporting to the delivery of completed financial statements, DFAS will be well-positioned to create efficiencies and streamline processes.

Enhancing DFAS's commercial pay services is key to maintaining the successful relationship between the Department and its industry partners. Ensuring payments to vendors are executed accu-

rately, and avoiding improper payments, is crucial to that success, and therefore of strategic importance to DFAS. In order to detect improper payments, DFAS is partnering with Advana and our customers to ensure required data is ingested. Once data is present in that platform, we can analyze it to identify trouble spots. Identification is only half the story. This initiative's goal is to strengthen internal controls and ensure an improved end-to-end business process.



The **Modernize the Business Environment** priority frames the exciting opportunity for DFAS to embrace the possibilities that the future of

technology offers. Utilizing technology to its fullest will allow DFAS to realize efficiencies that will provide benefits to all customers, from the military service organizations to the individual servicemen and women that defend our nation.

For several years, DFAS has been working to reduce the amount of data processed through legacy systems, and this year will see continued advancement on that front. In the past five-year strategic cycle, DFAS eliminated 20 legacy systems. In the next five years, DFAS has set its sight on eliminating 15 more. By eliminating the legacy environment and transitioning data to enduring systems, DFAS is not only improving financial management processes but also saving the Department's resources.

Retired servicemen and women are an especially important customer base for DFAS, and managing the financial data for the retired and annuitant pay mission is of key strategic importance. In order to keep this mission strong, DFAS is implementing an initiative designed to modernize the system used by the

accountants supporting it. Improved performance and productivity will reduce labor hours and simplify the work. By making these improvements, DFAS will achieve efficiencies that will translate into an enhanced experience for individuals receiving retirement annuity payments.

Several initiatives included in this year's strategy demonstrate DFAS's aim toward efficiencies, and one of these is the effort to establish flexible and innovative cloud hosting solutions. By embracing the cloud, DFAS will bring about improved business operations with versatile and flexible Information & Technology infrastructure. These advancements will be done in concert with actions to ensure and optimize secure systems access.

DFAS has also embarked upon its first Robotic Process Automation (RPA) program, developing 'Bots' that are created to mimic a manual process and executed by a user with that 'Bot' installed on their computer. Although the initiative is still in its early stages, DFAS has already implemented several 'Bots' that have proven the effectiveness of RPA and its time-saving capabilities. DFAS is moving forward to set the stage for a Community of Practice (CoP) that will identify processes where implementing RPA will help make life easier for our employees. Our goal is to deliver robotic process automations that complement the DFAS employee, support performance improvement, and increase job satisfaction.

Sentiment Analysis and Artificial Intelligence and their application in the work environment are other areas of strategic focus for DFAS. Sentiment analysis can be used to systemically identify opinions expressed in a piece of text (such as a comment left by a customer on

our website) to determine the writer's attitude on a particular topic. Artificial Intelligence has potential to be integrated with other automation tools, such as RPA or other workflows. New strategic initiatives are exploring the possibilities in these areas to see how they can be leveraged by the Agency to improve processes and customer experiences.



The *Invest in People* priority continues to demonstrate DFAS's understanding that our people are the heart of every mission we per-

form. No success can be obtained without first ensuring that our employees have the skills and tools they need to do their job. With this concept firmly understood, the People priority was the first to be selected, yet the last to be finalized. As the other priorities were being developed, DFAS leadership wanted to ensure that any requirements necessary to support the other priorities were discovered before initiatives in this category were selected. The resulting initiatives are specifically designed to provide DFAS employees with the tools and training needed as DFAS moves into the future.

Keeping pace with the skills needed to support future needs is the focus of multiple strategic initiatives, including the identification and development of those needed to utilize and support advancing technology. These skills will be required as the initiatives for all other priorities advance, modernizing systems, standardizing data and advancing data analytics, and exploring cutting edge technologies. By creating a modernized training experience which builds expertise in these areas, DFAS employees will be prepared and ready for what lies ahead.

Similarly, the world of financial management is advancing. As data becomes increasingly standardized and easier to work with, opportunities for DFAS accountants to progress to more analytical approaches to their jobs will increase. Providing them with the tools to equip themselves in order to meet customers' evolving financial management and technical needs will ensure that they, and DFAS as a whole, will continue to perform as a world-class service provider of accounting and finance services.

Skills are not the only aspect of work that is changing. Along with the rest of the world, DFAS experienced a tremendous shift in how and where work gets done. Simply going back to pre-pandemic workplace postures is not possible, and in order to manage its post-pandemic approach, DFAS established a strategic initiative to focus on what the future digital work-

place should and can be. By looking at what others are doing, both inside and outside the government community, we can explore and decide what will work best for our people and our mission. Once decided, we will work to ensure the right tools are available and the right skills are honed that will build a cohesive and productive workforce.

Another initiative is underway that will contribute to a cohesive workforce by making sure guidance and tools are in place that support diversity in job recruitment, selection, and development. One key element of this initiative is the increased focus on mentorship. Other actions will include providing forums where advice and best practices can be shared and providing guidance to officials making job selection decisions. With these efforts, DFAS will increase diversity and advance stronger mission success.

Looking to the Future

It is through these priorities and initiatives that DFAS will be ready for the future. By 2026:



We will have implemented innovative customer-oriented solutions that improve efficiency and partnership;



We will have achieved cost, schedule, and performance targets with delivery of efficient value-added services;



We will have reformed processes and systems to strengthen DFAS as a valued and competitive member of the financial management community; and



We will have adopted skill sets and practices to align Agency expertise in advisory, finance, and accounting services with the needs of the financial management community.

The FY 2022-2026 strategic plan is the right framework to support DFAS in its unwavering effort to improve as we continue to serve the military mission. It is a strong framework, exactly in step with the goals and priorities of the Department of Defense, yet built with the flexibility to allow us to shift as the world around us changes. Our mission statement ensures we will keep our course, guiding us to deliver financial excellence and quality pay services to our customer. By following this direction, we will realize

our 2026 vision to be a valued partner in financial management by consistently delivering first-class service and products. All of this effort is done with the DFAS core values in mind: Integrity to do the right thing at all times; to act in the service of our employees, the servicemen and women who defend our nation, and the communities around us; and to act with a spirit of innovation in all our endeavors. The way forward is clear, and we at DFAS are looking forward to meeting 2026 prepared for success!



The U.S. Air Force Air Demonstration Squadron “the Thunderbirds” perform an aerial demonstration at the KC Air Show in Gardner, Kan., Sept. 2, 2022. The Thunderbirds are scheduled to perform nearly 70 shows this year across more than 30 show sites around the world. (U.S. Air Force photo by Staff Sgt. Andrew D. Sarver)

AUDIT ACCOMPLISHMENTS



A Reserve Airman with the 304th Rescue Squadron receives a helping hand from one of his teammates during maritime training on the Columbia River in Portland, Ore., Sept. 13, 2022. The Airmen of the 304th RS are trained to conduct combat search and rescue in any location or climate. (U.S. Air National Guard photo by Master Sgt. Steph Sawyer)

As in years past, DFAS has continued its upward trend toward audit success in both the service provider and entity realms. Specifically on the entity side, DFAS WCF sustained our 23rd consecutive unmodified financial statement audit opinion. Williams Adley & Company performed the DFAS WCF financial statement audit, and their audit report is included in this document. As a service provider, DFAS was also able to lead our customers toward their audit achievements through clean SSAE18 opinions, delivery of thousands of supporting documents, and dedication to DoD-wide goals such as Fund Balance with Treasury (FBWT) reconciliation. We successfully completed all of this while also implementing a new five-year strategy, and converting our financial management and timekeeping system from e-Biz to Defense Agencies Initiative (DAI).

As DFAS entered its third year of supporting the audit virtually, we hosted two financial process walkthroughs and eight IT walkthroughs via Microsoft Teams, teleconference, and Adobe Connect. Similarly, we utilized a method from the previous year to ping assets to virtually test the existence of network equipment due to a significant part of our workforce being in a remote working environment. To ensure collaboration and consistent communication, we continued to host daily calls between DFAS mission areas involved in audit testing and the Independent Public Accountant (IPA) to provide an actively engaged approach to work through

sample explanations for any issues identified. We also continued to have weekly meetings with the IPA management team where they provided a weekly summary of the information gathered during sampling to DFAS leadership to hold all parties accountable for due outs and provide a forum for senior management to proactively discuss any concerns. During FY 2022, nearly 250 requests were fulfilled, totaling roughly 2,300 documentation packages. We had a timeliness rate of 98% on all requests. We continued to prove that the virtual environment is just as successful as the in-person environment.

During FY 2022, the DFAS team focused on addressing one prior-year Notice of Finding and Recommendation (NFR) from issuance to remediation by establishing regular progress updates with the IPA and leadership. The NFR (inaccurate recording of Property Plant & Equipment (PP&E) balances) cited improper balances of Internal Use Software, Construction in Progress, and Capitalized Equipment. Additional quality reviews were coordinated between accounting and PP&E stakeholders to verify the accuracy of input into the Defense Property Accountability System (DPAS). While DFAS began the process for implementing automatic procedures, a heavy reliance continued on manual processes to monitor and record proper PP&E costs. These issues occurred because DFAS had not fully instituted controls to ensure adequate review of the accuracy of recorded PP&E costs. E-Biz and DPAS systemic automated controls were implemented to address the audit recommendation. Looking to the future, a team has also worked closely to ensure that the new financial management system, DAI, is compatible with the success of this NFR.

A Proactive Work Force

DFAS began its conversion to DAI this fiscal year with the Oracle Time and Labor (OTL) application. This module replaced e-Biz Timekeeping, which DFAS utilized the last two decades. During the 2022 Financial Management Conference hosted by OSD, our own Deputy Director of Operations, Mr. Aaron Gillison, discussed during an Audit Review panel that our transition to this system, "would be imperative to sustain our financial statement unmodified audit opinion in order to not move backwards." As a leader in this field with 23 consecutive unmodified opinions, DFAS would be working to align with the DoD Defense Agencies through this initiative. While the OTL portion was the first piece to change over, Mr. Gillison was also referencing the full financial management portion, which will be transitioning in early FY 2023. This piece will be heavily scrutinized by our IPA in the next audit, and DFAS is posturing itself to be proactive with any forthcoming challenges.

DFAS: A Service Provider

As a service provider, DFAS continues to make substantial progress toward the Department's audit remediation and sustainment goals. This progress is due largely in part to our remarkable workforce. FBWT continues to be a priority focus for DFAS as we aggressively work to enhance and automate processes to assist in the downgrade of the DoD's FBWT material weakness.

As the DoD's FBWT lead, we started strong in the new calendar year by hosting a two-day virtual FBWT Summit with nearly 800 auditors and customers in attendance. This foundational meeting communicated key initiatives and shared significant accomplishments while focusing on the impacts of FBWT auditability such as reducing balances/variances

for Statement of Differences, Suspense Accounts, the Cash Management Report, and Deposits. DFAS continues to make headway on downgrading the material weakness by spearheading remediation efforts with all parties involved.

As the lead of the Department's efforts to reconcile the DoD fund balance to the Department of Treasury records, DFAS leveraged cross-federal government partnerships, expanded financial statement measures, created extensive plans with hundreds of milestones, and built transaction-level reconciliations (universe of transactions) to monitor and resolve both aged and overall variances.

As a result, DFAS saw significant progress in reducing balances and inflow, sustaining balance reductions, and identifying root causes while strengthening internal controls and compiling and accelerating the development of a universe of transactions.

The extensive actions taken over the past year have positively affected the Department's overall auditability. However, to mitigate remaining issues, DFAS continues to develop and maintain key reconciliations, detailed universe of transactions, management analyses, and materiality assessments. We will work to sustain overall and overaged balances at immaterial levels while building and maturing materiality methodologies and processes to review FBWT risk areas for financial statement disclosures.

Further, DFAS continues to adopt effective internal controls, business processes, and process narratives to detect and prevent significant risk. Success in these areas is essential to downgrading these material weaknesses, and these combined focuses contribute to meeting the Secretary of Defense's audit priority goals.

Through our core values of integrity, service, and innovation, our workforce continued its support in FY 2022 to the DoD customer standalone audits by driving customer and service provider engagement and collaboration. We fulfilled more than 4,000 auditor requests, resulting in the submission of over 32,000 pieces of supporting documentation in both a thorough and timely manner.

Our commitment to our customers in our valued partnership has led to incredible results. As a service provider, DFAS assisted DISA Working Capital Fund in obtaining its third consecutive unmodified audit opinion. Additionally, we sustained unmodified audit opinions for our Defense Commissary Agency (DeCA), Defense Contract Audit Agency (DCAA), Department of Defense Inspector General (DoDIG), and Defense for Health Affairs – Contract Resource Management (DHP-CRM) customers.

However, our notable achievements do not stop there. We also celebrated the sustainment of the 30th unmodified opinion for the Military Retirement Fund (MRF). We've also reached the 20th consecutive qualified opinion for the Medicare-Eligible Retiree Health Care Fund (MERHCF). These two trust funds make up a significant portion of the investment portfolio for the DoD.

SSAE18 Results

Another material piece of audit success are the Statement on Standards for Attestation Engagements, more commonly known as SSAE18s. They are examinations of key processes and internal controls that are common across multiple customers. The results of an SSAE18 examination can assist component auditors in gaining assurance over the control environment of

Results of DFAS SSAEs							
Assessable Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Civilian Pay Service Inaugural Year FY 2005	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified
Military Pay Service Inaugural Year FY 2013	Modified, Qualified	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified
Standard Disbursing Service Inaugural Year FY 2013	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified
Contract Pay Service Inaugural Year FY 2014	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified
Financial Reporting Service Inaugural Year FY 2014	Modified, Qualified	Modified, Qualified	Modified, Qualified	Modified, Qualified	Modified, Qualified	Modified, Qualified	Modified, Qualified
Defense Cash Accountability System (DCAS) Inaugural Year FY 2016	Modified, Qualified	Modified, Qualified	Modified, Qualified	Modified, Qualified	Modified, Qualified	Modified, Qualified	Modified, Qualified
Vendor Pay Service	CAPS-W		Modified, Qualified	Modified, Qualified	Modified, Qualified	Modified, Qualified	Unmodified
	One Pay			Modified, Qualified	Modified, Qualified	Unmodified	Unmodified
	DAI			Modified, Qualified	Modified, Qualified	Modified, Qualified	Modified, Qualified
	IAPS				Modified, Qualified	Modified, Qualified	Unmodified
	GFEBs					Modified, Qualified	Modified, Qualified
	DEAMS						Modified, Qualified
ELAN Hosting Service			Modified, Qualified	Unmodified	Modified, Qualified	Unmodified	Modified, Qualified

Figure 1—Statement on Standards for Attestation Engagements (SSAE) Number 18 Results, FY 2016-2022. Overseen by the American Institute of Certified Public Accountants (AICPA), SSAE18 governs the way organizations report on their various compliance controls.

DFAS services provided to our customers. This also reduces duplicative audit workload for DFAS.

In FY 2022, DFAS reached a 96% aggregate scope coverage across the SSAE18 assessable units and achieved eight unmodified opinions and five favorable qualified opinions. Among these favorable opinions are the inaugural unmodified opinions for the Vendor Pay - GFEBs and CAPS-W reports. As we look toward the future, our goal is to safeguard existing unmodified opinions and upgrade qualified opinions through the implementation of additional procedures and best practices.

System Access Controls

At DFAS, we remain committed to continuously improving system access security and the processes for managing access for our employees and the mili-

tary and civilian customers we support. Our efforts have improved the visibility of current system users and streamlined efforts to manage those users to ensure the right people have the correct financial systems access for the exact purpose needed.

DFAS continues our partnership with DISA to define and develop an Identity, Credential, & Access Management (ICAM) DoD-wide enterprise tool. DFAS worked closely with DISA to communicate and test our universal requirements for systems access controls during Enterprise ICAM pilot development. These requirements reflect modern security and access management policy and address DoD audit findings for multiple DoD organizations we support.

Additionally, DFAS collaborated across DoD organizations to emphasize the

importance of interoperable data sharing for ensuring cross-component users' access is appropriately controlled and synchronized with personnel movements within the Department.

A Bright Future

As we move into FY 2023, DFAS will continue our five-year strategy with a main focus of supporting the downgrade of the DoD FBWT material weakness while driving efforts toward a clean opinion for the Department, in alignment with the Secretary of Defense's audit priorities.

We will continue to mature a materiality methodology and the processes to review FBWT risk areas for financial statement disclosures by adopting effective internal controls, business processes, and process narratives to detect and prevent significant risk. These areas are essential for success in downgrading this material weakness.



Lt. j.g. Sylvester Williams signals an F/A-18E Super Hornet, attached to the Eagles of Strike Fighter Squadron (VFA) 115, after landing on the flight deck of the U.S. Navy's only forward-deployed aircraft carrier, USS Ronald Reagan (CVN 76), in the Sea of Japan, Oct. 6, 2022. (U.S. Navy photo by Mass Communication Specialist 2nd Class Michael B. Jarmiolowski)

Two U.S. Air Force F-35A Lightning IIs assigned to the 354th Fighter Wing fly over the Joint Pacific Alaska Range Complex, April 14, 2022. With the arrival of the last two jets, the 354th Fighter Wing completed a two-year buildup, resulting in two additional operational flying squadrons comprised of 54 permanently-assigned, combat-coded F-35A aircraft. (U.S. Air Force photo by Senior Airman Jose Miguel T. Tamondong)



DEFENSE AGENCIES INITIATIVE



U.S. Marines with Force Reconnaissance Platoon, 31st Marine Expeditionary Unit (MEU), practice recoil management drills utilizing tracers during a deck shoot aboard amphibious assault ship USS America (LHA 6) in the Solomon Sea on Aug. 5, 2021. (U.S. Marine Corps photo by Cpl. Karis Mattingly)

The Defense Agencies Initiative (DAI) is a critical DoD effort to modernize the Defense Agencies' financial information capabilities. It is intended to transform the budget, finance, and accounting operations of these agencies in order to achieve accurate and reliable financial information in support of financial accountability and sustainment of the missions to the Warfighter. To implement this initiative, DFAS began its transition to DAI from the e-Biz system.

For the past two decades, the DFAS Working Capital Fund (WCF) has utilized momentum, specifically e-Biz, to collect and report all accounting transaction data, as well as identify all costs and provide detailed unit cost and billing information to our customers. The e-Biz system has undergone three major upgrades over this period and countless other minor system changes to enhance financial reporting capabilities, including the numerous process changes to improve auditability in transaction processing. With twenty years of experience operating our own accounting system, many may not realize the intricacies and amount of time and dedication that goes into a full system transition. For starters, management identified unmodified audit opinion sustainment as a primary objective to the implementation efforts. Maintaining the DFAS WCF Financial Statement unmodified Audit opinion requires extensive data cleansing, data conversion, research, training, and communication with all DFAS employees.

This DAI implementation began in April 2020 with an assessment of potential gaps within DAI (as this system was primarily utilized by General Fund activities) and what the rough order of magnitude would be to meet DFAS WCF requirements.

After completing the initial requirements gap review, DFAS identified six major system changes. Most of these changes were related to the Orders to Cash process - the biggest difference between DFAS and existing DAI Agencies. Operating 100% as a WCF, DFAS does not receive appropriated funds from Congress. Instead, we budget based on anticipated customer orders, and we bill and collect customer funding as a reimbursements after services have been performed and expenses have been accrued.

Upon identifying the required system changes, we began executing a four-phased approach. In July 2020, Phase 1 (or the planning phase) began and DFAS completed the project plan, defined the data structure, developed scenarios to test, and initiated data cleansing metrics. This was a crucial phase to complete as it housed the most intricate pieces to ensure a successful transition to the DAI system. Phase 2, or the preparation phase, found DFAS configuring, testing, and cleansing data. This was also the time period where we trained the workforce and converted data to production. Phase 3, the cutover phase, was where we deployed both Oracle Time and Labor (OTL) in June 2022, and full financials which deployed in October 2022 or FY 2023. Phase 4, or the stabilize phase, will occur in FY 2023 and is where we will transition to maintaining the new system and its data while retiring e-Biz permanently.

DFAS is fortunate to be the 28th DoD Agency making the transition to DAI. This allowed DFAS to partner and leverage lessons learned from previously deployed agencies. Regarding the employee impact, DFAS deployed DAI in two major releases. The first release targeted the entire workforce with the OTL launch. This portion replaced the e-Biz Timekeeping system. The DFAS team created state of the art training materials for each employee and supervisor to take in advance to the transition. Before the launch of the new system, 100% of the workforce completed the training, a crucial step to a successful implementation.

As part of our risk mitigation strategy, DFAS ensured representatives from every organization, over 600 individuals, participated in the user acceptance testing to identify any remaining gaps for both the system functionality and training materials prior to go-live. The test also validated that one of the major system changes to DAI where a new field was added to OTL to capture customer information was operating as intended. After completing user acceptance testing for OTL, we successfully launched our new timekeeping system the first weekend of June 2022. The DFAS team worked diligently to provide a SharePoint site that housed several timekeeping standard operating procedures (SOPs), reference material for the go-live event, and a test instance where employees could practice and familiarize themselves with the new system before the conversion. Furthermore, the team hosted supervisor office hours via Microsoft Teams to answer any questions that supervisors had, as well as share best practices. These tools proved to be valuable assets that led to a successful OTL launch.

The second release, full financials, represented a much different challenge. While the transition to OTL affected all DFAS employees, approximately 11,000 individuals, full financials only impacted approximately 500 employees, but the full financials requirements are much more complex and differ greatly based on the associated end-to-end processes. As mentioned earlier, the DFAS WCF has used e-Biz Core Financials for two decades, and we needed to ensure that all end-to-end processes were addressed in order to truly be successful with this transition and maintain our unmodified financial statement audit opinion.

To prepare our 500 employees to be successful, DFAS hosted DAI train the trainer events and mock sessions for all employees via Microsoft Teams. There were staggered waves of training for impacted employees to make certain all employees were able to learn the new system. As with the OTL release, the financial management release also had a SharePoint site that housed SOPs, frequently asked questions, and a practice environment. The full financials release had a team dedicated to answering all help desk inquiries as well as daily stand ups to manage any issues that occurred during our successful release.

DFAS is proud to be considered a world-class service provider and this prestigious title would not be possible without our dedicated team members that ensure the retirement of systems and subsequent transitions are managed seamlessly. As DFAS continues to upgrade systems to position itself to be cutting edge, it also keeps audit results for the Agency and as a service provider as the top priority.



Infantry Soldiers assigned to 1st Battalion, 148th Infantry Regiment man their foxholes before force-on-force operations during Operation Northern Strike at Camp Grayling, Mich., Aug. 15, 2022. Infantry brigade combat teams must train in a joint, multicomponent, multinational environment to ensure they can fight and win in an expeditionary environment against a near peer adversary. (U.S. Army photo by Sgt. Max Elliott)



MANAGEMENT ASSURANCES

**DEFENSE FINANCE AND ACCOUNTING SERVICE**

8899 EAST 56TH STREET
INDIANAPOLIS, IN 46249-0201

MEMORANDUM FOR THE OFFICE OF THE UNDER SECRETARY OF DEFENSE
(COMPTROLLER) (OUSD(C)) DEPUTY CHIEF FINANCIAL
OFFICER (DCFO)

SUBJECT: Annual Statement of Assurance (SoA) Required Under the Federal Managers'
Financial Integrity Act (FMFIA) for Fiscal Year (FY) 2022

As the Director of the Defense Finance and Accounting Service (DFAS), I recognize DFAS is responsible for managing risks and maintaining effective internal controls to meet the objectives of Sections 2 and 4 of the FMFIA of 1982. Our SoA provides specific information on how the assessment of internal controls was conducted in accordance with the Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control; and the Government Accountability Office (GAO) Green Book, GAO-14-704G, Standards for Internal Control in the Federal Government. Based on the results of the assessment, DFAS can provide assurance that internal controls over operations, reporting, and compliance are operating effectively, with the exception of one material weakness in Financial Reporting related to the Agency's service provider operations as of September 30, 2022.

DFAS conducted its assessment of the effectiveness of internal controls over operations in accordance with OMB Circular No. A-123, the GAO Green Book, and the FMFIA. The "*Internal Control Evaluation (TAB A)*" section provides specific information on how DFAS conducted this assessment. This internal review also included an evaluation of the internal controls around Security Assistance Accounts (SAA) activities. I am able to provide assurance that internal controls over DFAS' operations and compliance are operating effectively, with the exception of one material weakness in Financial Reporting related to the Agency's service provider operations.

DFAS conducted its assessment of the effectiveness of internal controls over reporting, including internal and external financial reporting, in accordance with OMB Circular No. A-123, Appendix A. The "*Internal Control Evaluation (TAB A)*" section provides specific information on how DFAS conducted this assessment. This internal review also included an evaluation of the internal controls around SAA activities. Based on this assessment, I am able to provide reasonable assurance that internal controls over reporting, including internal and external reporting, and compliance are operating effectively.

DFAS conducted an internal review of the effectiveness of internal controls over the integrated financial management systems in accordance with FMFIA and OMB Circular No. A-123, Appendix D. The "*Internal Control Evaluation (TAB A)*" section provides specific information on how DFAS conducted this assessment. This internal review also included an evaluation of the internal controls around SAA activities. Based on the results of this evaluation, I am able to provide reasonable assurance that internal controls over financial systems are in

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compliance with FMFIA, Section 4; Federal Financial Management Improvement Act (FFMIA), Section 803; and OMB Circular No. A-123, Appendix D.

DFAS also conducted an assessment of entity level controls including fraud control in accordance with the GAO Green Book, OMB Circular No. A-123, the Payment Integrity Information Act of 2019, and GAO Fraud Risk Management Framework. The "*Internal Control Evaluation (TAB A)*" section and the "*Assessment of Entity Level Controls (TAB B)*" section provides specific information on how DFAS conducted this assessment. This internal review also included an evaluation of the internal controls around SAA activities. Based on the results of this assessment, I am able to provide reasonable assurance that entity-level controls including fraud controls are operating effectively.

DFAS is hereby reporting that no Anti-Deficiency Act (ADA) violation has been identified during our assessments of the applicable processes.

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Audrey Y. Davis
Director

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COMPLIANCE AND REGULATIONS

DFAS management is responsible for compliance with existing laws and regulations related to financial reporting. DFAS did not identify any instances of non-compliance during FY 2022. The following describes specific compliance assertions and efforts taken by DFAS management to maintain compliance applicable to DFAS Financial Reporting.

Federal Financial Management Improvement Act of 1996

DFAS conducted an internal review of the effectiveness of the internal controls over the integrated financial management systems. Based on the results of this assessment, as of June 30, 2022, the internal controls over the integrated financial management systems utilized in the compilation of the DFAS financial statements, were in compliance with OMB Circular A-123, Appendix D, Compliance with the Federal Financial Management Improvement Act of 1996.

Digital Accountability and Transparency Act

The Digital Accountability and Transparency Act of 2014 (codified, as amended, at 31 U.S.C. 6101 note) establishes a Government-wide standard for financial data and disclosure to USASPENDING.gov. This enables taxpayers and policy makers to track federal spending more effectively.

DFAS is compliant and completed implementation in 2nd quarter FY 2017, prior to the DoD required due date of May 2018. DFAS has implemented adequate internal controls to mitigate the risk of non-compliance by requiring change request approvals from all entities exposed.

Antideficiency Act

Section 1341, Title 31, United States Code (31 U.S.C. 1341 [1990]) limits DFAS and its agents to making or authorizing only expenditures or obligations that do not exceed the available appropriations or funds. Additionally, DFAS and its agents may not contract or obligate for the payment of money before an appropriation is made available for that contract or obligation unless otherwise authorized by law.

As stated in 31 U.S.C. 1517 (2004), DFAS and its agents are prohibited from making or authorizing expenditures or obligations exceeding an apportionment or the amount permitted by prescribed regulations. According to 31 U.S.C. 1351 (2004), if an officer or employee of an executive agency violates the Antideficiency Act (ADA), the head of the agency must report immediately to the President and Congress all relevant facts and a statement of actions taken.

The DFAS 7040.1-I, DFAS Financial Management Instruction, Enclosure 14, provides agency policy for investigating and reporting ADA violations. During FY 2022, DFAS has no ADA violations to report.

Debt Collection Improvement Act of 1996

Public Law 104-134 Debt Collection Improvement Act of 1996 (Updated April 30, 1999) is legislation that provides an opportunity for the federal government to move toward its goal of increased electronic commerce and improved cash and debt collection management. The Act enhances debt collection government-wide, and mandates the use of electronic funds transfer for federal payments, allows Federal Reserve Bank Treasury Check Offset, and provides funding for the Check Forgery Insurance Fund.

The law provides that any non-tax debt or claim owed to the United States that has been delinquent for a period of 120 days shall be turned over to the Secretary of the Treasury for appropriate action to collect or terminate collection actions on the debt or claim. Debt that is in litigation or foreclosure, with a collection agency or a designated federal debt collection center, or that will be disposed of under an asset sales program, is exempt from transfer to the Secretary of the Treasury.

DFAS implemented debt management controls to meet the requirements of the DCIA, OMB Circular No. A-129, Policies For Federal Credit Programs and Non-Taxable Receivables and other laws as applicable, including:

- Treasury Offset Program Referral of debts more than 120 days delinquent;
- Write-offs of delinquent debt older than two years;
- 1099-C Reporting when closing out debts; and
- Credit Bureau Reporting of delinquent non-tax, out-of-service debts.

Government Charge Card Abuse Prevention Act

The Government Charge Card Abuse Prevention Act (Public Law 112-194) requires all federal agencies to establish safeguards and internal controls for government charge card programs and establish penalties for violations. DFAS is in compliance with the current requirements of PL 112-194 for both the Government Purchase Card and Government Travel Charge Card Programs.

Prompt Payment Act

The Prompt Payment Act (codified as amended in 31 U.S.C. 3901-3907) ensures federal agencies pay vendors in a timely manner. Prompt Payment ((5 Code of Federal Regulation [CFR] 1315), formerly OMB Circular A-125, Prompt Payment) requires DFAS to pay commercial obligations within certain periods and to pay interest penalties when payments are late. In compliance with the Statute, DFAS paid \$13,458 of Prompt Payment Interest penalties during FY 2022.

Improper Payments Elimination and Recovery Improvement Act of 2012

The Improper Payments Elimination and Recovery Improvement Act of 2012 (31 U.S.C 3321 note) requires federal agencies to review spending to identify, prevent, and report improper payments to reduce error, waste, fraud, and abuse within federal spending. This requirement is done not by DFAS WCF but by DFAS, the service provider. DFAS, the service provider, handles reporting DoD-wide for all components to include DFAS WCF.

Fraud Reduction and Data Analytics Act of 2015

DFAS implemented the required financial and administrative controls for the fraud risk principle in the Standards for Internal Control in the Federal Government (also known as the "GAO Green Book"), and OMB Circular A-123. DFAS implementation included: leading practices for managing fraud risk; identifying risks and vulnerabilities to fraud, including with respect to payroll, beneficiary payments, large contracts, and purchase and travel cards; and establishing strategies, procedures, and other steps to curb fraud.

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FINANCIAL DISCUSSION AND ANALYSIS

DFAS continues to provide financial and accounting services at the lowest cost possible. The Agency plans its revenue and expenses based primarily on the estimated amount of services our customers will require in the future. In order to assist the DoD in its budgeting process, the Agency's budgeted rates are established two fiscal years in advance. Due to forecasting future budgeted rates, fluctuations in customer demand for services have a direct and significant effect on DFAS's financial performance as a result of utilizing a predominantly labor-based expense structure.

The performance of the Agency can be measured by the Net Cost of Operations which is the difference between expenses and revenue for the year. The Net Position measures the Agency's budgetary health since inception.

Fiscal Years Ended September 30	2022	2021
Net Cost of Operations	\$ 84,763,152	\$ 37,199,378
Net Position	\$ 226,059,606	\$ 231,453,233

Financial Statement Analysis

DFAS WCF continues a thorough monthly review process and robust execution reporting to senior leadership in order to outline the status of its financial position and available budgetary resources. Consequently, DFAS leadership is armed with proprietary and budgetary information to make informed business decisions throughout the year in order to manage

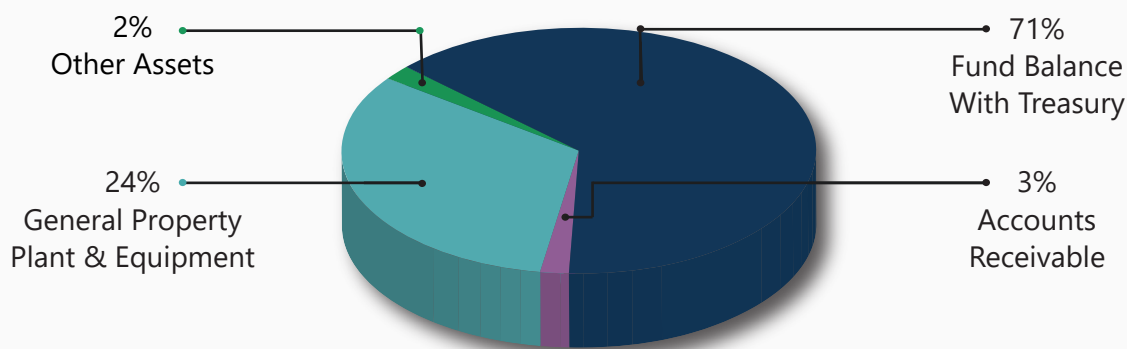
the DFAS WCF unobligated balance. The Office of the Under Secretary of Defense, (Comptroller) (OUSDC) and the Office of Management and Budget (OMB) are updated quarterly during budget execution reviews. As a result, DFAS stakeholders are provided timely information regarding the current and anticipated DFAS status of budgetary resources in order to evaluate the performance of the organization.

Balance Sheet

The Balance Sheet reflects DFAS's financial position as of September 30, 2022, and details amounts available to provide future economic benefits (assets), owned or available for use by DFAS, compared to the amounts owed (liabilities), requiring the use of available assets, and the difference between them (net position). The table below summarizes the fluctuations in the Balance Sheets from FY 2021 to FY 2022.

As of September 30	2022	2021	Change	% Change
Assets	\$ 381,831,008	\$ 435,300,113	\$ (53,469,105)	(12.3%)
Liabilities	155,771,402	203,846,880	(48,075,478)	(23.6%)
Net Position	\$ 226,059,606	\$ 231,453,233	\$ (5,393,627)	(2.3%)

Composition of Assets

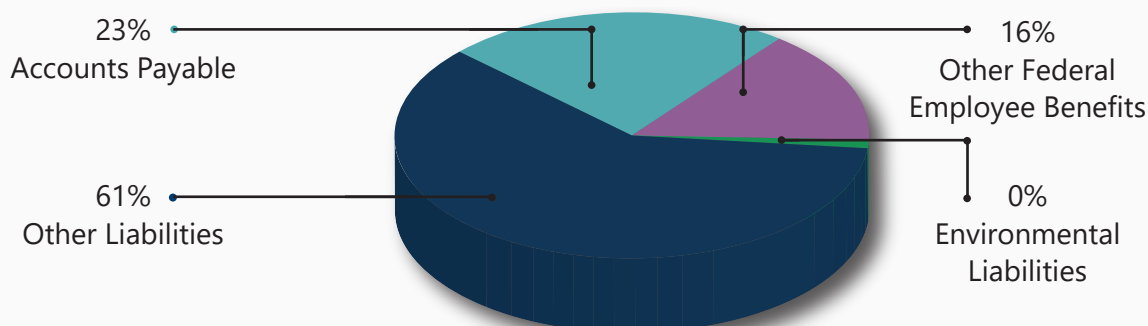


Total WCF Assets of \$381.8 million on September 30, 2022 consisted primarily of \$271.1 million in FBWT, and \$91.7 million in General Property, Plant, and Equipment (PP&E).

Accounts Receivable decreased by \$28.7 million (69.5%). This decrease is primarily due to outstanding accounts receivable balance of \$32.9 million for Air Force at FY 2021 compared to FY 2022.

General Property, Plant, and Equipment decreased by \$18.2 million (16.5%) in Q4 FY 2022 when compared to Q4 FY 2021. The overall downward trend continued where new acquisitions are decreasing while accumulated depreciation remains consistent.

Composition of Liabilities



Total Liabilities of \$155.8 million as of September 30, 2022, primarily consists of Other Liabilities for \$94.6 million, Accounts Payable for \$35.9 million, Other Federal Employment Benefits for \$25.0 million, and Environmental Liabilities for \$302 thousand. Other Liabilities consists of \$84.6 million for the Accrued funded payroll and leave benefits, \$5.4 million for employer contributions and payroll taxes payable, and \$4.6 million for unfunded Federal Employees' Compensation Act (FECA) reimbursements to the Department of Labor.

Other Liabilities (Other than Intragovernmental) decreased by \$29.3 million (25.7%). This decrease is due to the number of accrual days. In FY 2022, there were five days of labor (salaries and wages) accruals, compared to 14 days of accruals in FY 2021.

Other Liabilities (Intragovernmental) decreased by \$9.6 million (48.9%) in Q4 FY 2022 when compared to Q4 FY 2021. In FY 2022, there were five days of employee benefit accruals, compared to 14 days of accruals in FY 2021.

Accounts Payable (Other than Intragovernmental) decreased by \$4.8 million (20.4%) in Q4 FY 2022 when compared to Q4 FY 2021. This decrease is primarily due to two higher dollar non-recurring purchases as well as two invoice delays that occurred in Q4 FY 2021. The high dollar non-recurring purchases were Bratenahl facility repairs/upgrades for \$2.2 million and Advana system design for \$0.7 million. The delayed billing was associated with a WHS Clinic Services contract delay of \$0.7 million and furniture purchases for \$1.2 million

Statement of Net Cost

The Statement of Net Cost presents the annual cost of operations for DFAS. The net cost of DFAS's operations equals the program's gross cost less revenue earned from external sources for services provided to the Military Services and other Defense Agencies. The table below illustrates the changes in costs and revenues.

Fiscal Years Ended September 30	2022	2021	Change	% Change
Gross Costs	\$ 1,534,495,206	\$ 1,497,549,420	\$ 36,945,786	2.5%
Less Earned Revenue	(1,449,732,054)	(1,460,350,042)	(10,617,988)	(.7%)
Net Cost of Operations	\$ 84,763,152	\$ 37,199,378	\$ 47,563,774	127.9%

Gross Costs increased by \$36.9 million (2.5%) in Q4 FY 2022. This increase is primarily due to higher labor costs of \$29.7 million for pay inflation (employee compensation and benefit contributions).

Earned Revenue decreased by \$10.6 million (0.7%). The decrease is primarily due to a cash recovery built into FY 2021 billing rates which was necessary to recover prior year losses. In FY 2022, cash recovery was not necessary resulting in lower revenue in FY 2022 compared to FY 2021.

Gross Costs by Category	2022	2021	Change	% Change
Payroll Expense	\$ 809,161,937	\$ 793,138,076	\$ 16,023,861	2.0%
Employee Benefits Expense	312,983,304	299,301,512	13,681,792	4.6%
Contractor Services	198,603,618	196,240,831	2,362,787	1.2%
Imputed Costs	79,734,798	78,179,576	1,555,222	2.0%
Equipment Expense	63,928,850	60,934,249	2,994,601	4.9%
Lease & Office Expenses	44,225,312	42,917,389	1,307,923	3.0%
Depreciation & Amortization	26,838,484	26,245,984	592,500	2.3%
Miscellaneous Supplies and Materials	1,672,056	1,713,077	(41,021)	(2.4%)
Travel Expense	1,767,300	830,721	936,579	112.7%
Loss on Disposition of Assets	0	698,038	(698,038)	(100.0%)
PPA Interest Expense	(55,648)	11,167	(66,815)	(598.0%)
Bad Debt Expenses	(3,561)	(1,977)	(1,584)	80.1%
Other Expenses	(4,361,244)	(2,659,223)	(1,702,021)	64.0%
Total	\$ 1,534,495,206	\$ 1,497,549,420	36,945,786	2.5%

Financial Statement Preface

Based upon timely information and a proactive approach, DFAS produces accurate and timely financial statements. These statements have been prepared to report the overall financial position and results of operations of the Agency pursuant to the requirements of Title 31, United States Code, Section 3515 (b), to include :

1. Balance Sheets
2. Statements of Net Cost
3. Statements of Changes in Net Position
4. Statements of Budgetary Resources

The financial statements and notes are prepared in accordance with federal accounting standards using generally accepted accounting principles and audited by our independent auditor Williams, Adley & Company-DC, LL

Statement of Changes in Net Position

The Statement of Changes in Net Position presents the cumulative results of operations since inception. The statement focuses on how the net cost of operations is financed; as well as, other items financing the Agency's operations. The resulting financial position represents the difference between assets and liabilities as shown on the Balance Sheets. Various financing sources can increase the net position, including transfers of cash, property, and imputed financing costs absorbed by other Federal agencies on DFAS's behalf.

Fiscal Years Ended September 30	2022	2021	Change	% Change
Beginning Balances	\$ 231,453,233	\$ 198,528,493	\$ 32,924,740	16.6%
Total Financing Sources	79,369,525	70,124,118	9,245,407	13.2%
Less Net Cost of Operations	(84,763,152)	(37,199,378)	47,563,774	127.9%
Cumulative Results of Operations	\$ 226,059,606	\$ 231,453,233	\$ (5,393,627)	(2.3%)

Statement of Budgetary Resources

The Statement of Budgetary Resources presents the total budgetary resources available to DFAS for use in FY 2022, their status at the end of the year, and the relationship between the budgetary resources and the outlays made against them. It is the only financial statement exclusively derived from the budgetary general ledger in accordance with budgetary accounting rules. As part of the Defense-wide WCF, DFAS's budgetary resources are generated by collecting funds from customers in exchange for providing accounting and financial services.

Fiscal Years Ended September 30	2022	2021	Change	% Change
Gross Outlays	\$ 1,485,218,564	\$ 1,409,773,665	\$ 75,444,899	5.4%
Less Actual Offsetting Collections	\$ (1,479,565,454)	\$ (1,429,667,228)	\$ 49,898,226	3.5%
Net Outlays	\$ 5,653,110	\$ (19,893,563)	\$ 25,546,673	(128.4%)

Net Outlays increased by \$25.5 million (128.4%). The increase is primarily due to higher labor costs of \$29.7 million for pay inflation (employee compensation and benefit contributions).

Offsetting Collections increased by \$49.9 million (3.5%). The increase is primarily due to higher customer funding provided in Q4 FY 2022. Additionally, \$32.9 million in FY 2021 accounts receivable balances for the USAF were collected in FY 2022, increasing collections earned in FY 2022.

Section II
FINANCIALS

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

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U.S. Marine Corps Lance Cpl. Cesar Villa, left, and Lance Cpl. Jerin Falasco, both machine gunners assigned to Charlie Company, Battalion Landing Team, 1/1, 11th Marine Expeditionary Unit (MEU), set security with an M240B machine gun during an amphibious assault demonstration in support of Marine Exercise Philippines (MAREX 22 PH) at Brooke's Point, Philippines, Jan. 31, 2022. MAREX 22 PH demonstrates U.S. commitment to the region and our long-standing treaty allies. We seek to build enduring, mutually beneficial relationships and invest in training to ensure a free and open Indo-Pacific. (U.S. Marine Corps photo by Sgt. Israel Chincio)

CFO'S MESSAGE

MESSAGE FROM THE CFO



Rosalyn Finley

It is my honor to introduce the Defense Finance and Accounting Service (DFAS) Working Capital Fund (WCF) Fiscal Year (FY) 2022 financial statements supporting the Agency's 23rd consecutive unmodified audit opinion on our financial statements. These financial statements and accompanying information provide a comprehensive view of the accomplishments and activities undertaken while demonstrating our commitment to excellence.

This year, DFAS resolutely prepared for the FY 2023 implementation of the Defense Agencies Initiative (DAI) as the Agency's financial management capability while concurrently launching our FY 2022 – 2026 DFAS Strategy. Both endeavors further our journey as a recognized leader in financial management. The migration to the DAI solution will deliver important business process and audit-centric results. Moreover, the updated strategic plan focuses on four critical areas that drive transformation and innovation: Strengthen Customer Partnerships, Enhance Performance, Modernize the Business Environment, and Invest in People. The plan was developed through Agency executive and mission area leader priorities and, equally important, with the voice of the customer. Strategic success achieved in 2022, including those supporting audit progress, operating environment enhancements, and risk remediation, were advanced through astute investment of talent and financial resources.

We also continued to leverage collaborative partnerships as highlighted in our Management's Discussion and Analysis. DFAS sustained its financial operational health pertaining to the cost of operations by continuing to streamline business processes, retiring and modernizing financial systems, maintaining contemporary skillsets, and leveraging best practices from Department and other federal partners. Our robotics and data analytics projects continued with commendable progress. This year, we also furthered our commitment to innovation by embracing Artificial Intelligence. Through collaboration with the Chief Digital and Artificial Intelligence's Joint Artificial Intelligence Center, DFAS completed its first Natural Language Processing initiative. This effort efficiently compiled sentiment content contained in thousands of customer surveys, providing valuable insight for DFAS financial management service providers and our process partners. This customer feedback was also beneficial in informing the development of multiple DFAS business case analyses chartered in FY 2022 as part of the Director's Optimization Initiative.

In FY 2023, DFAS remains anchored in its core values of service, integrity, and innovation. Investing in our people, our financial portfolio continues to incorporate value-added critical skills training for DFAS team members who support our military service, defense agency, and federal sector customers. Maintaining a steadfast cadence in service delivery, we are also celebrating the opportunity to perform work that once again incorporates in-person engagement while concurrently sustaining tools and interaction techniques chartered during the pandemic.

It is with great privilege and respect that we effectively and efficiently continue to perform the Agency mission and drive strategic outcomes that benefit the Department and its stakeholders.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS



Independent Auditor's Report

Director, Defense Finance and Accounting Service
Chair, Defense Finance and Accounting Service Audit Committee

In our audits of the fiscal years 2022 and 2021 financial statements of the Working Capital Fund (WCF) of the Defense Finance and Accounting Service (DFAS), a component of the United States Department of Defense (DoD), we found

- the DFAS WCF's financial statements as of and for the fiscal years ended September 30, 2022, and 2021, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed¹; and
- no reportable noncompliance for fiscal year 2022 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes an other matters paragraph related to the required supplementary information (RSI)² and other information included with the financial statements³; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements; and (4) agency comments.

Report on the Financial Statements

Opinion

In accordance with *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*, we have audited the DFAS WCF's financial statements. The DFAS WCF's financial statements comprise the balance sheets as of September 30, 2022, and 2021; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements. In our opinion, the DFAS WCF's financial statements

¹ A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

² The RSI consists of Management's Discussion and Analysis inclusive of the Financial Discussion and Analysis which are included with the financial statements.

³ Other information consists of information included with the financial statements, other than the RSI and the auditor's report.

WILLIAMS, ADLEY & COMPANY-DC, LLP

Certified Public Accountants/ Management Consultants

1030 15th Street, NW, Suite 350 West • Washington, DC 20005 • (202) 371-1397 • Fax: (202) 371-9161

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present fairly, in all material respects, the DFAS WCF's financial position as of September 30, 2022, and 2021, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the U.S. and the U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the DFAS WCF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The DFAS WCF management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in the DFAS WCF's Agency Financial Report (AFR), and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DFAS WCF's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding certain other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the financial statement audit.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit, and we do not express an opinion or provide any assurance on the RSI, because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

The DFAS WCF's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in the DFAS WCF's AFR. The other information comprises of the Message from the Director, historical information, and the Message from Chief Financial Officer, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

In connection with our audits of the DFAS WCF's financial statements, we considered the DFAS WCF's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies⁴ or to express an opinion on the effectiveness of the DFAS WCF's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

During our fiscal year 2022 audit, we identified deficiencies in the DFAS WCF's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant the DFAS WCF management's attention. We have communicated these matters to the DFAS WCF's management and, where appropriate, will report on them separately.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to the DFAS WCF's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Internal Control over Financial Reporting

The DFAS WCF management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of the DFAS WCF's financial statements as of and for the fiscal year ended September 30, 2022, in accordance with U.S. generally accepted government auditing standards, we considered the DFAS WCF's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DFAS WCF's internal control over financial reporting. Accordingly, we do not express an opinion on the DFAS WCF's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

⁴ A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of the DFAS WCF's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the DFAS WCF's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of the DFAS WCF's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2022 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the DFAS WCF. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for Tests of Compliance section below.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

The DFAS WCF management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the DFAS WCF.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to the DFAS WCF that have a direct effect on the determination of material amounts and disclosures in the DFAS WCF's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the DFAS WCF. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Agency Comments

In commenting on a draft of this report, DFAS WCF's management provided a response, which is presented in *Appendix I*. We did not audit DFAS WCF's response and, accordingly, we express no opinion on the response.

Williams, Arley & Company, DC, LLP

Washington, District of Columbia
November 2, 2022

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MANAGEMENT'S RESPONSE TO THE INDEPENDANT AUDITOR'S REPORT

Appendix I - Management's Comments



DEFENSE FINANCE AND ACCOUNTING SERVICE
8899 EAST 56TH STREET
INDIANAPOLIS, IN 46249-0201

November 2, 2022

Mr. Kola A. Isiaq, Engagement Partner
Williams, Adley and Company, LLP-DC
1030 15th Street NW, Suite 350 West
Washington, DC 20005

Dear Mr. Isiaq:

I have reviewed the draft Independent Auditor's Report dated October 26, 2022, regarding the Fiscal Year 2022 Defense Finance and Accounting Service (DFAS) Working Capital Fund financial statements. I am satisfied by the outcome and accept this report on behalf of DFAS.

While I am pleased to see we received an unmodified opinion on our last set of financial statements resulting from e-Biz, I appreciate the suggestions and look forward to further enhancing our control environment as we transition to our new accounting system, Defense Agencies Initiative.

DFAS thanks the Williams Adley team for their professionalism while conducting this audit. If there are any additional requirements needed for completion, please contact my action officer, Mr. Jason Monday, at (317) 212-2674 or james.j.monday.civ@mail.mil.


Audrey Y. Davis
Director

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www.dfas.mil

Appendix I - Management's Comments



DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
8725 JOHN J. KINGMAN ROAD, SUITE 2135
FORT BELVOIR, VA 22060-6219

OFFICE OF THE DIRECTOR

November 02, 2022

Mr. Kola Isiaq
Engagement Partner
Williams, Adley and Company, LLP-DC
1030 15th Street NW Suite 350 West
Washington, DC 20005

Dear Mr. Isiaq:

I have received and reviewed a copy of the draft Independent Auditor's Report for the Fiscal Year 2022 Defense Finance and Accounting Service (DFAS) Working Capital Fund financial statements. On behalf of the Audit Committee as its Chairperson, I thank you and your staff at Williams, Adley and Company for your careful and thorough audit.

DFAS continues to work with determination to maintain an unmodified audit opinion on its statements through its commitment to robust and effective controls over operations and financial reporting. Your staff's thorough review of internal controls will guide DFAS to focus its efforts to reduce risk by implementing further enhancements based on your teams' recommendations.

The working relationship between DFAS and the Williams, Adley and Company staff is very effective, and the outstanding collaboration has ensured another successful audit engagement. I appreciate and thank you for your team's continued professionalism, dedication, and hard work in support of sound financial management and reporting at DFAS.

Sincerely,

A handwritten signature in black ink that reads "Joseph P. Bentz".

Joseph P. Bentz
Chair
Defense Finance and Accounting Service
Financial Statement Audit Committee

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COMPARATIVE FINANCIAL STATEMENTS

BALANCE SHEETS

As of September 30, 2022 and 2021	2022	2021
Assets		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 271,057,096	\$ 276,710,206
Accounts Receivable, Net (Note 3)	12,500,503	40,536,991
Other Assets	978,876	1,662,330
Total Intragovernmental Assets	\$ 284,536,475	\$ 318,909,527
Accounts Receivable, Net (Note 3)	\$ 135,052	\$ 858,728
General Property, Plant and Equipment, Net (Note 4)	91,711,507	109,873,571
Advances and Prepayments	5,447,974	5,658,287
Total Other than Intragovernmental	\$ 97,294,533	116,390,586
Total Assets	\$ 381,831,008	\$ 435,300,113
Liabilities (Note 5)		
Intragovernmental:		
Accounts Payable	\$ 17,145,538	\$ 18,231,072
Other Liabilities (Notes 8 and 10)	9,996,817	19,556,507
Total Intragovernmental Liabilities	\$ 27,142,355	\$ 37,787,579
Accounts Payable	\$ 18,743,668	\$ 23,558,305
Federal Employee and Veteran Benefits Payable (Note 6)	24,978,463	28,295,297
Environmental and Disposal Liabilities (Note 7)	302,000	302,000
Other Liabilities (Notes 8 and 10)	84,604,916	113,903,699
Total Other than Intragovernmental	\$ 128,629,046	\$ 166,059,301
Total Liabilities	\$ 155,771,402	\$ 203,846,880
Commitments and Contingencies (Note 10)		
Net Position		
Cumulative Results of Operations - Funds Other than Dedicated Collections	\$ 226,059,606	\$ 231,453,233
Total Cumulative Results of Operations (Consolidated)	226,059,606	231,453,233
Total Net Position	\$ 226,059,606	\$ 231,453,233
Total Liabilities and Net Position	\$ 381,831,008	\$ 435,300,113

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF NET COST

Fiscal Years Ended September 30	2022	2021
Program Costs		
Gross Costs	\$ 1,534,495,206	\$ 1,497,549,420
Operations, Readiness & Support	1,534,495,206	1,497,549,420
(Less: Earned Revenue)	(1,449,732,054)	(1,460,350,042)
<hr/>		
Net Cost before Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$ 84,763,152	\$ 37,199,378
<hr/>		
Net Program Costs Including Assumption Changes	\$ 84,763,152	\$ 37,199,378
<hr/>		
Net Cost of Operations (Note 11)	\$ 84,763,152	\$ 37,199,378
<hr/>		

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN THE NET POSITION

Fiscal Years Ended September 30	2022	2021
Cumulative Results of Operations		
Beginning Balances	\$ 231,453,233	\$ 198,528,493
Transfers in/out without reimbursement	(317,045)	(7,878,183)
Imputed financing	79,734,798	78,179,576
Other	(48,227)	(177,275)
Net Cost of Operations (+/-) (Includes Funds from Dedicated Collections - See Note 11)	84,763,152	37,199,378
Net Change in Cumulative Results of Operations	(5,393,627)	32,924,740
Cumulative Results of Operations, Ending (Includes Funds from Dedicated Collections)	226,059,606	231,453,233
Total Net Position	\$ 226,059,606	\$ 231,453,233

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF BUDGETARY RESOURCES

Fiscal Years Ended September 30	2022	2021
Budgetary Resources		
Unobligated Balance from prior year budget authority, net (discretionary and mandatory)	\$ 193,816,731	\$ 188,341,912
Contract Authority (discretionary and mandatory)	8,828,868	8,630,519
Spending Authority from offsetting collections	1,462,647,755	1,401,681,715
Total Budgetary Resources (Note 13)	\$ 1,665,293,354	\$ 1,598,654,146
Status of Budgetary Resources		
New obligations and upward adjustments (total)	\$ 1,462,543,512	\$ 1,409,916,757
Unobligated balance, end of year		
Apportioned, unexpired accounts	202,689,370	188,676,916
Unapportioned, unexpired accounts	60,472	60,472
Unexpired unobligated balance, end of year	202,749,842	188,737,388
Unobligated balance, end of year (total)	202,749,842	188,737,388
Total Budgetary Resources (Note 13)	\$ 1,665,293,354	\$ 1,598,654,146
Outlays, net (total) (discretionary and mandatory)		
Agency Outlays, net (discretionary and mandatory)	\$ 5,653,110	\$ (19,893,563)

The accompanying notes are an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

1.A. Mission of the Reporting Entity

The Defense Finance and Accounting Service (DFAS), a component of the Department of Defense (DoD), was established in 1991 by the Secretary of Defense to reduce the cost of DoD financial and accounting operations, and to reform financial management throughout DoD. The mission of DFAS is to lead our customers in finance and accounting by ensuring the delivery of efficient, exceptional quality pay and financial information.

Operating as a Working Capital Fund (WCF), DFAS functions similarly to a private corporation by obtaining revenue through charging customers fixed prices for its services. DFAS sets its rates annually, two years in advance, based on anticipated workload and estimated costs calculated to offset any prior year gains or losses. Unlike the private sector, DFAS has little flexibility to adjust prices in the year of execution unless coordinated with the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)). DFAS operations are subject to DoD, Executive Branch, and Legislative Branch oversight. DFAS programs and initiatives are guided by the Under Secretary of Defense Comptroller and DFAS's Chief Financial Officer.

1.B. Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of the DFAS WCF, as required by the Chief Financial Officers Act of 1990, expanded by the Government Management Reform Act of 1994, and other appropriate legislation. The financial statements have been prepared from the books and records of the DFAS WCF in accordance with, and to the extent possible, U.S. generally accepted accounting principles (U.S. GAAP) promulgated by the Federal Accounting Standards Advisory Board (FASAB); the Office of Management and Budget (OMB) Circular No. A-136, "Financial Reporting Requirements"; and the Department of Defense (DoD), Financial Management Regulation (FMR).

FASAB is the official accounting standards-setting body of the Federal Government. The accompanying financial statements account for all resources for which the DFAS WCF is responsible unless otherwise noted.

1.C. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities, at the date of the financial statements, and the amount of revenues and costs reported during the period. Actual results could differ materially from those estimates. Significant estimates and assumptions in these comparative financial statements require

the exercise of judgment and are used for, but not limited to, allowance for doubtful accounts, environmental liabilities, pension and other post-retirement benefit expenses, and the Federal Employee Compensation Act (FECA) Liability.

1.D. Appropriations and Funds

The DFAS WCF does not receive appropriations and funds as general, trust, special, or deposit funds, as it is only a working capital (revolving) fund. The DFAS WCF uses these funds to execute its missions and subsequently report on resource usage.

Working capital funds receive funding to establish an initial corpus through an appropriation or a transfer of resources from existing appropriations or funds. The corpus finances operations and transactions that flow through the fund. Each WCF obtains the goods and services sold to customers on a reimbursable basis and maintains the corpus. Reimbursable receipts fund future operations and generally are available in their entirety for use without further congressional action. At various times, Congress provides additional appropriations to supplement the WCF as an infusion of cash when revenues are inadequate to cover costs within the corpus.

1.E. Basis of Accounting

DFAS presents the Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position on a consolidated basis less the Eliminations. The Statement of Budgetary Resources is presented on a combined basis. The financial transactions are recorded on a proprietary accrual and a budgetary basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when incurred, without regard to the timing of receipt or payment of cash. Whereas, under the budgetary basis the legal commitment or obligation of funds is recognized in advance of the proprietary accruals and compliance with legal requirements and controls over the use Federal funds.

1.F. Revenues and Other Financing Sources

Revenue is recognized when earned and services have been rendered. Revenue is generated by sales of accounting and finance services to the DFAS customers through a reimbursable order process. The majority of services rendered by DFAS are provided to the Military Departments and other DoD agencies.

The goal of a WCF organization is to break even over an extended period of time. In accordance with the DoD FMR, Volume 3, Chapter 19, the Accumulated Operating

Results (AOR) and Net Operating Results (NOR) serve as the primary points of reference for determining the need to adjust billing rates. Working Capital Fund organizations adjust future billing rates to counter the effects the fluctuations have on the AOR. The positive and negative adjustments are normal business practices occurring when the net cost of operations is not zero. Because of the nature of a WCF, the unanticipated impacts on workload and cost fluctuations will result in profits or losses during any given year. Accumulated Operating Results is tracked from inception and requires constant routine monitoring to account for the fluctuating costs of conducting business.

1.G. Recognition of Expenses

For financial reporting purposes, U.S. GAAP requires the recognition of operating expenses in the period incurred. Estimates are made for major items such as payroll expenses, accounts payable, environmental liabilities, and unbilled revenue.

1.H. Accounting for Intragovernmental Activities

Intragovernmental costs and exchange revenue represent transactions made between two reporting entities within the Federal government. Costs and earned revenues with the public represent transactions made between the reporting entity and a nonfederal entity. The classification of reve-

nue or cost as “intragovernmental” or “public” transactions is defined in the DoD FMR Volume 4, Chapter 1.

The Treasury Financial Manual Part 2 – Chapter 4700, “Agency Reporting Requirements for the Financial Report of the United States Government,” provides guidance for reporting and reconciling intragovernmental balances. The Defense Finance and Accounting Service is able to fully reconcile intragovernmental transactions with all federal agencies including Federal Employees’ Compensation Act transactions with the Department of Labor, and benefit program transactions with the Office of Personnel Management.

Intra-entity costs and revenue represent transactions DFAS conducted with itself in the normal course of business. All intra-entity transactions have been removed, so the financial statements and footnotes present fairly not including transactions with interrelated parties.

Imputed financing represents the cost paid on behalf of DFAS by another Federal entity. The Defense Finance and Accounting Service recognizes imputed costs for (1) employee pension, post-retirement health, and life insurance benefits; (2) post-employment benefits for terminated and inactive employees to include unemployment and workers compensation under the Federal Employees’ Compensation Act; (3) losses in litigation proceedings; and (4) military payroll for service members assigned to DFAS.

1.I. Funds with the Department of Treasury

The DFAS WCF monetary financial resources of collections and disbursements are maintained in U.S. Treasury (Treasury) accounts. The disbursing offices of DFAS process the majority of the DFAS's cash collections, disbursements, and adjustments worldwide. Each disbursing station prepares monthly reports to the Treasury on checks issued, electronic fund transfers, interagency transfers, and deposits.

In addition, DFAS submits reports to the Treasury by appropriation on interagency transfers, collections received, and disbursements issued. The Treasury records these transactions to the applicable FBWT account.

The Treasury maintains and reports the Defense Working Capital Fund (DWCF) fund balances at the Treasury Index (TI) appropriation sub-numbered level. Defense Agencies, to include DFAS, are included at the TI 97 DWCF appropriation sub-numbered level, an aggregate level that does not provide identification of the separate Defense Agencies by Treasury.

1.J. Accounts Receivable

Accounts receivable represents transactions occurring in the normal course of business by providing financial services to our customers. Accounts receivable from other federal entities or the public

include accounts receivable, claims receivable, and refunds receivable. Claims receivable are transactions where DFAS has a right to cash (debt) from an outstanding customer account. Refunds receivable occur when DFAS receives a refund for a previous paid expense.

On an annual basis, DFAS reviews all outstanding nonfederal customer accounts over 360 days to estimate the allowance for uncollectible accounts. Allowances for uncollectible accounts due from the public are based upon factors such as: aging of accounts receivable, debtor's ability to pay, and payment history. In addition, significant accounts receivable balances may be reviewed individually, regardless of age.

DFAS does not recognize an allowance for estimated uncollectible amounts from other federal agencies as receivables from other federal agencies are considered to be inherently collectible. Claims for accounts receivable from other federal agencies are resolved between the agencies in accordance with the Intragovernmental Business Rules published in the Treasury Financial Manual.

1.K. General Property, Plant and Equipment (PP&E)

The WCFs capitalizes all PP&E used in the performance of their mission. These assets are capitalized as General PP&E, whether or

not they meet the definition of any other PP&E category.

General PP&E is carried at historical acquisition cost plus capitalized improvements. General PP&E, including real property, are capitalized at cost if the acquisition is \$250,000 or more. The asset must also have a useful life of two or more years. All General PP&E is depreciated based on the historical cost using the straight-line method over the estimated useful lives of the assets, which range from 2 to 40 years. Normal repairs and maintenance are charged to expense as incurred.

Title 10, United States Code (U.S.C.) 2682, prohibits DoD agencies from owning real property (i.e. buildings). Therefore, DoD has implemented the recognition criteria of Statement of Federal Financial Accounting Standards (SFFAS) No. 6, "Accounting for Property, Plant and Equipment," to report the financial position of its member agencies. As implemented by DoD regulations, ownership of real property is not a prerequisite to asset recognition. DoD FMR Volume 4, Chapter 6, states that legal ownership usually, but not always, is the determinant factor when determining which DoD component recognizes a particular General PP&E asset for accounting and reporting purposes in the financial statements. Asset recognition may also be based on the "Preponderance of Use" principle. This concept rec-

ognizes the DoD agency gaining the most benefit by virtue of space usage should capitalize the asset as General PP&E on their Balance Sheet.

1.L. Leases

Lease payments for the rental of equipment and operating facilities are classified as operating leases. An operating lease does not substantially transfer all the benefits and risk of ownership. Payments for operating leases are expensed over the lease term as they become payable. Office space and leases entered into by DFAS are the largest component of operating leases and are based on costs gathered from existing leases, General Services Administration (GSA) bills, and interservice support agreements. Future year projections use the Consumer Price Index.

1.M. Other Assets

Other assets include advances and prepayments permitted by law, legislative action, or presidential authorization as mandated by Title 31, U.S.C 3324. The Department of Defense has implemented the recognition criteria of (SFFAS) No. 6, "Accounting for Property, Plant and Equipment)," to report advances and prepayments. As implemented by DoD FMR Volume 4, Chapter 5, payments made in advance of the receipt of goods and services should be reported as an asset. They are shown on the Balance Sheet as Other Assets. Components of advances and prepayments include travel and labor advances, tuition assistance, subscriptions, postage; as

well as, approved contractual and intragovernmental prepay agreements. DFAS policy is to expense and/or properly classify assets when the related goods and services are received.

When advances are permitted by law, legislative action, or presidential authorization, DoD's policy is to record advances or prepayments in accordance with U.S. GAAP. As such, payments made in advance of the receipt of goods and services are reported as an asset on the Balance Sheet. The DoD's policy is to expense and/or properly classify assets when the related goods and services are received.

1.N. Contingencies and Other Liabilities

The SFFAS No. 5, "Accounting for Liabilities of the Federal Government", as amended by SFFAS No. 12, "Recognition of Contingent Liabilities Arising from Litigation", defines a contingency as an existing condition, situation, or set of circumstances that involves an uncertainty as to possible gain or loss. The uncertainty will be resolved when one or more future events occur or fail to occur. DFAS recognizes contingent liabilities when past events or exchange transactions occur, a future loss is probable, and the loss amount can be reasonably estimated.

Financial statement reporting is limited to disclosure when con-

ditions for liability recognition do not exist, but there is at least a reasonable possibility of incurring a loss or additional losses. DFAS's risk of loss and resultant contingent liabilities arise from various administrative proceedings, legal actions, and potential claims.

1.O. Accrued Leave

DFAS reports liabilities for accrued compensatory and annual leave for civilians. Civilian leave is accrued as earned, and the accrued amounts are increased and decreased for actual leave taken and earned. The balances for accrued leave are adjusted monthly to reflect changes. The balances for civilian leave at the end of the fiscal year reflect current pay rates for the leave earned but not taken. Sick and other types of non-vested leave are expensed as taken. To the extent budget resources are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources.

1.P. Net Position

Net Position consists of cumulative results of operations. Cumulative Results of Operations represent the net difference between expenses and losses and financing sources (including revenue and gains), since inception. Cumulative Results of Operations also include the transfer in and out of assets that were not reimbursed.

1.Q. Undistributed Disbursements and Collections

Treasury Financial Manual (TFM) Volume I, Part 2, Chapter 5100, requires agencies to reconcile their FBWT accounts on a regular and recurring basis to assure the integrity and accuracy of their financial reporting data. The DFAS WCF does not have a separate FBWT account. Instead, the Treasury maintains an account for DFAS's collection and disbursement activities.

On a monthly basis, DFAS's collections and disbursements are adjusted with undistributed collections and disbursements to agree with the Treasury. Undistributed collections and disbursements represent the difference between disbursements and collections matched at the transaction level to a specific obligation, payable, or receivable in the source system and those reported by the Treasury.

The current year collections, disbursements, and cash transfers applicable to DFAS's operations are recorded in the financial records during the fiscal year.

1.R. Pensions, Other Retirement Benefits, and Other Post-Employment Benefits

Each employing Federal agency is required to recognize its share of the cost and imputed financing of providing pension and

post-retirement health benefits and life insurance to its employees, as stated in the SFFAS No. 5, "Accounting for Liabilities of the Federal Government ." Factors used in the calculation of pension and post-retirement health and life insurance benefit expenses were provided by the Office of Personnel Management financial management letters regarding cost factors for pension and other retirement benefits expense.

The cost factor for computing the Federal Employees Health Benefits Program (FEHB) imputed cost was \$8,476 in FY 2021 and \$8,775 in FY 2022. The Federal Employees' Group Life Insurance Program (FEGLI) the cost factor was .02% in both FY 2021 and FY 2022. The cost factor for employees covered by Civil Service Retirement System (CSRS) was 42.10% in FY 2021 and 46.20% in FY 2022. The cost factor for the Federal Employees Retirement System (FERS) was 18.50% in FY 2021 and 19.70% in FY 2022.

DFAS civilian employees participate in the CSRS and FERS, while military personnel are covered by the Military Retirement System (MRS). Employees and personnel covered by FERS and MRS also have varying coverage under Social Security. DFAS funds a portion of the civilian and military pensions. The funded actuarial liability and unfunded actuarial liability for the military personnel are reported in the DoD Military Retirement Fund. The actuarial

liability for the military retirement health benefits is recognized in the DoD Agency-wide statements.

For employees participating in FERS, FERS-Revised Annuity Employee (FERS-RAE), and FERS-Further Revised Annuity Employees (FERS-FRAE), DFAS contributes an amount equal to 1% of the employee's basic pay to the tax deferred Thrift Savings Plan (TSP), and matches employee contributions up to an additional 4% of pay. DFAS contributions to the TSP was \$32.6 million for FY 2021 and \$33.9 million for FY 2022. Employees participating in CSRS receive no matching contributions from DFAS.

1.S. Interest on Late Payments

DFAS, on occasion, incurs interest penalties on late payments. All such interest penalties are paid to the respective vendor in accordance with the guidelines mandated by the Prompt Payment Act, Public Law, 97-177, as amended.

1.T. Contract Authority

As a WCF, DFAS must recover from customers, through revenue earned, all expenses necessary to operate. DFAS purchases assets using contract authority granted by the OUSD(C) and then recovers the cost over the useful life of the asset through depreciation expense built into the billing rates. DoD FMR, Volume 11B, Chapter 3, Budgetary Resources,

defines contract authority as the amount available for obligation and remains available through the end of the fiscal year. At year-end, this amount is reduced to match the amount of executed dollars through the normal year-end closing processes.

1.U. Contract Audit Backlog

Most DFAS contracts are subject to review by the Defense Contract Audit Agency (DCAA) to include those contracts at the Defense Contract Management Agency (DCMA). To that end, DCMA and DFAS contracting offices are not able to render decisions on the deobligation of contracts and closure until the DCAA contract audit is completed. DCAA has experienced a severe backlog in contracts to be audited since the early 1980's. DCAA, while serving the public interest as its primary customer, performs all necessary contract audits for the DoD and provides accounting and financial advisory services regarding contracts and subcontracts to all DoD Components responsible for procurement and contract administration. The services provided by DCAA include negotiation, administration, and settlement of contracts and subcontracts to ensure taxpayer dollars are spent on fair and reasonable contract prices. To aid in rectifying the backlog situation, Class Deviation 2012-O0013, "DCAA Policy and

Procedure for Sampling Low-Risk Incurred Cost Proposals” was issued on July 24, 2012. The intent of the proposal was to incorporate more effective oversight efforts without increasing risk to the Government. In addition, the proposal serves as a means for decreasing the backlog of incurred cost audits at DCAA. The realization of these efforts will assist with more timely cost adjustments. The extensive reviews potentially affect DFAS’s financial position because of related cost adjustments from vendors.

The total cost adjustments from vendors cannot be reasonably estimated for FY 2022, but management believes the amount is immaterial.

1.V. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

1.W. Reclassifications

Certain FY 2021 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

Note 2. Fund Balance with Treasury

As of September 30	2022	2021
Status of Fund Balance with Treasury		
Unobligated Balance:		
Available	\$ 202,571,189	\$ 188,883,177
Unavailable	\$ 60,472	60,472
Subtotal	202,631,661	188,943,649
Obligated Balance not yet Disbursed	\$ 198,465,536	\$ 225,895,488
 Non-FBWT Budgetary Accounts:		
Unfilled Customer Orders without		
Advance	(23,760,978)	4,271,673
Contract Authority	(92,983,411)	(102,062,590)
Receivables and Other	(13,295,712)	(40,338,013)
Total Non-FBWT Budgetary Accounts	\$ (130,040,101)	\$ (138,128,930)
Total FBWT	\$ 271,057,096	\$ 276,710,206

The Treasury records cash receipts and disbursements on DFAS's behalf and are available only for the purposes for which the funds were appropriated. DFAS's Fund Balance with Treasury consists of revolving funds.

The Status of Fund Balance with Treasury (FBWT), as presented in the table above, reflects the reconciliation between the budgetary resources supporting FBWT (largely consisting of Unobligated Balance and Obligated Balance Not Yet Disbursed) and those resources provided by other means. The total FBWT reported on the Balance Sheet reflects the budgetary authority remaining for disbursements against current or future obligations.

Unobligated Balance is classified as available or unavailable and represents the cumulative amount of budgetary authority that has not been set aside to

cover future obligations. The available balance consists primarily of the unexpired, unobligated balance that has been apportioned and available for new obligations. The Unobligated Balance Unavailable for \$60,472 consists of the American Rescue Plan Act (ARPA) of 2021.

Obligated Balance Not Yet Disbursed represents funds obligated for goods and services but not paid.

Non-budgetary FBWT includes the amount of Contract Authority DFAS has not liquidated to date, and the uncollected portion of service agreements with other Federal Agencies. Contract Authority is a specific statutory authority permitting DFAS to incur and liquidate obligations in advance of receiving cash. Non-FBWT Budgetary Accounts reduce the Status of FBWT.

Note 2. Fund Balance with Treasury, continued

Contract Authority and Reimbursable Authority (Spending Authority from Anticipated Collections) does not increase the FBWT when initially posted, but does provide budgetary resources. FBWT increases only after the customer payments for services or goods rendered have been collected. Conversely, appropriations received increase FBWT upon receipt of the budget authority.

Unfilled Customer Orders Without Advance and Reimbursements and Other Income Earned - Receivable provide budgetary resources when recorded. FBWT is only increased when reimbursements are collected, not when orders are accepted or have been earned.

The FBWT reported in the financial statements has been adjusted to reflect the DFAS's balance as reported by Treasury. The difference between FBWT in the DFAS's general ledgers and FBWT reflected in the Treasury accounts is attributable to transactions that have not been posted to the individual detailed accounts in the DFAS's general ledger as a result of timing differences or the inability to obtain valid accounting information prior to the issuance of the financial statements. When research is completed, these transactions will be recorded in the appropriate individual detailed accounts in the DFAS's general ledger accounts. For 4th Quarter FY 2022 reporting period, the absolute value for the DFAS's undistributed reconciling adjustment to Treasury was \$2,144,254 for FY 2022 and \$9,089,832 for FY 2021.

Note 3. Accounts Receivable, Net

As of September 30	2022		
	Gross Amount Due	Allowance for Estimated Uncollectibles	Accounts Receivable, Net
Intragovernmental Receivables	\$ 12,500,503	\$ N/A	\$ 12,500,503
Nonfederal Receivables (With the Public)	215,595	(80,543)	135,052
Total Accounts Receivable	\$ 12,716,098	\$ (80,543)	\$ 12,635,555

As of September 30	2021		
	Gross Amount Due	Allowance for Estimated Uncollectibles	Accounts Receivable, Net
Intragovernmental Receivables	40,536,991	N/A	40,536,991
Nonfederal Receivables (From the Public)	942,323	(83,595)	858,728
Total Accounts Receivable	41,479,314	(83,595)	41,395,719

Other Disclosures

Accounts receivable represent DFAS's claim for payment from other entities. DFAS only recognizes an allowance for uncollectible amounts from the public. Claims with other federal agencies are resolved in accordance with the Intragovernmental business rules published in Appendix 5 of Treasury Financial Manual, Volume I, Part 2, Chapter 4700. Allowances for uncollectible accounts due from the public are based on an estimation methodology using three years of historical collection data and is calculated on consolidated receivable balances.

The largest contributor for the Accounts Receivable balance is the Defense Security Cooperation Agency (DSCA) which had a receivable balance of \$4.3 million.

Note 4. General PP&E, Net

As of September 30	2022				
	Depreciation/ Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
Major Asset Classes					
Leasehold Improvements	S/L	Lease term	147,017,472	(131,916,691)	15,100,781
Software	S/L	2-5 or 10	116,053,002	(66,509,748)	49,543,254
General Equipment	S/L	Various	95,176,650	(78,771,325)	16,405,325
Construction-in-Progress	N/A	N/A	10,662,147	N/A	10,662,147
Total General PP&E			368,909,271	\$ (277,197,764)	\$ 91,711,507

As of September 30	2021				
	Depreciation/ Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
Major Asset Classes					
Leasehold Improvements	S/L	Lease term	145,815,486	(125,124,244)	20,691,242
Software	S/L	2-5 or 10	232,634,116	(175,976,272)	56,657,844
General Equipment	S/L	Various	118,131,926	(97,411,302)	20,720,624
Construction-in-Progress	N/A	N/A	11,803,861	N/A	11,803,861
Total General PP&E			\$ 508,385,389	\$ (398,511,818)	\$ 109,873,571

Legend for Valuation Methods:

S/L = Straight Line N/A = Non-Applicable

* Estimated useful service life is 35 years for structures, 40 years for linear structures and 45 years for buildings.

The total cost of General Property, Plant & Equipment (PP&E) was \$368.9 million at September 30, 2022 and \$508.4 million at September 30, 2021. Such amounts include Software with a cost of \$116.1 million in 2022 and \$232.6 million in 2021. Of those Software amounts, Internal Use Software in Development (IUSD) was \$5.6 million in 2022 and \$16.3 million in 2021. IUSD costs are not depreciated until such software has been put in service.

Based on FY 2020 reporting guidance found in DoD FMR Volume 4, Chapter 24 "Real Property", DoD Components were required to transfer all real property assets to the host installations where those assets were placed in service. Based on this directive, DFAS has completed the transfer of \$8.0 million and \$0.543 million net book value of real property to the military services, in fiscal years 2021 and 2022, respectively.

Note 4. General PP&E, Net, continued

As of September 30	2022	2021
General PP&E, Net beginning of year	\$ 109,873,571	\$ 131,795,392
Capitalized acquisitions	9,267,198	13,138,132
Dispositions	0	(698,038)
Transfers in/(out) without reimbursement	(542,551)	(7,938,655)
Revaluations (+/-)	(48,227)	(177,274)
Depreciations expense	(26,838,484)	(26,245,984)
General PP&E, Net end of year	\$ 91,711,507	\$ 109,873,571

Note 5. Liabilities Not Covered by Budgetary Resources

As of September 30	2022	2021
Intragovernmental Liabilities		
Other	4,611,651	5,171,110
Total Intragovernmental Liabilities	\$ 4,611,651	\$ 5,171,110
Nonfederal Liabilities		
Other Federal Employment Benefits	24,356,046	26,528,888
Environmental and Disposal Liabilities	302,000	302,000
Other Liabilities	0	0
Total Nonfederal Liabilities	\$ 24,658,046	\$ 26,830,888
Total Liabilities Not Covered by Budgetary Resources	\$ 29,269,697	\$ 32,001,998
Total Liabilities Covered by Budgetary Resources	\$ 126,501,705	\$ 171,844,882
Total Liabilities	\$ 155,771,402	\$ 203,846,880

Intragovernmental Other Liabilities are the unfunded liabilities for Federal Employees' Compensation Act (FECA). The FECA liability represents the billed and unbilled amount owed to the Department of Labor related to employee compensation for wages lost due to a job-related injury.

Other Federal Employment Benefits consists of various employee actuarial liabilities not due and payable during the current fiscal year.

Refer to Note 7, Environmental and Disposal Liabilities for additional details and disclosures.

Nonfederal Other Liabilities consists of unfunded compensatory and credit annual leave liability. Refer to Note 6, Other Federal Employment Benefits, for additional details.

Note 6. Other Federal Employment Benefits

As of September 30	2022		
	Liabilities	(Assets Available to Pay Benefits)	Unfunded Liabilities
Other Benefits			
FECA	20,494,164	0.00	20,494,164
Other – Unfunded Leave	4,484,299	(622,417)	3,861,882
Total Other Federal Employment Benefits	24,356,046	(622,417)	24,356,046
Other benefit-related payables included in Intragovernmental Other Liabilities	9,996,817	(5,385,166)	4,611,651
Total Other Federal Employment Benefits	\$ 24,978,463	\$ (6,007,583)	\$ 28,967,697

As of September 30	2021		
	Liabilities	(Assets Available to Pay Benefits)	Unfunded Liabilities
Other Benefits			
FECA	22,764,256	0.00	22,764,256
Other – Unfunded Leave	5,531,041	(1,766,409)	3,764,632
Total Other Federal Employment Benefits	28,295,297	(1,766,409)	26,528,888
Other benefit-related payables included in Intragovernmental Other Liabilities	19,556,507	(14,385,397)	5,171,110
Total Other Federal Employment Benefits	\$ 47,851,804	\$ (16,151,806)	\$ 31,699,998

The Department of Labor (DOL) annually determines the liability for future workers' compensation benefits, or better known as Federal Employees' Compensation Act (FECA). This includes the expected liability for death, disability, medical, and other estimated miscellaneous costs. Historical benefit payment patterns are used to predict the future costs after being discounted to present value using the OMB economic assumptions for 10-year U.S. Treasury notes and bonds.

The DOL provides an estimated actuarial liability for future workers' compensation benefits at the DoD Level only, and DFAS's reported FECA liability is based on the DoD Agency-wide allocation method using an average based on the last three annual chargeback bills for actual claims submitted and approved by the DOL. The allocated portion of the actuarial liability for future workers' compensation benefits for DFAS for FY 2022 is \$20,494,164 and FY 2021 was \$22,764,256.

Note 7. Environmental and Disposal Liabilities

As of September 30	2022	2021
Environmental Liabilities — Nonfederal		
Other Accrued Environmental Liabilities — Non-BRAC		
Asbestos	302,000	302,000
Total Environmental and Disposal Liabilities	\$ 302,000	\$ 302,000

Applicable Laws and Regulations for Cleanup Requirements

DFAS is required to clean up contamination from past waste disposal practices, leaks, spills, and other activity resulting in public health or environmental risk. DFAS accomplishes this effort in coordination with regulatory agencies and, if applicable, other responsible parties and current property owners. DFAS is also required to recognize closure and post-closure costs for its General PP&E and environmental corrective action costs for current operations.

DFAS follows the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA, Public Law 96-510), Superfund Amendments and Reauthorization Act of 1986 (SARA, Public Law 99-499), Resource Conservation and Recovery Act (RCRA, Public Law 94-580) or other applicable federal or state laws to clean up contamination. The CERCLA and RCRA require DFAS to clean up contamination in coordination with regulatory agencies, current owners of property damaged by DFAS, and third

parties with partial responsibility for environmental restoration. Failure to comply with agreements and legal mandates puts DFAS at risk of incurring fines and penalties.

Uncertainty Regarding the Accounting Estimates Used to Calculate the Reported Environmental Liabilities

Accounting estimates for environmental liabilities use reasonable judgments and assumptions based on available information. Actual results may materially vary if agreements with regulatory agencies require remediation to a different degree than anticipated when calculating the estimates. Liabilities can be further affected if the investigation of the environmental sites reveals contamination levels differing from estimate parameters.

Methods for Assigning Total Cleanup Costs to Current Operating Periods

DFAS uses engineering estimates and independently validated models are used by DFAS to project environmental costs. The models include the Remedial Action

Cost Engineering Requirements application and the Normalization of Data System. The models are validated by DFAS in accordance with DoD Instruction 5000.61, DoD Modeling and Simulation Verification, Validation, and Accreditation, and estimates liabilities based on data received during preliminary assessment and site investigation. Engineering estimates are primarily used by DFAS after obtaining extensive data during the remedial investigation/feasibility phase of the environmental project.

Once the environmental cost estimates are complete, DFAS complies with accounting standards to charge costs to current operating periods. Cleanup costs are expensed by DFAS for General PP&E placed into service prior to October 1, 1997, unless costs are to be recovered through user charges. As costs are recovered, DFAS expenses cleanup costs associated with the asset life that has passed since the General PP&E was placed into service. The remaining cost over the life of the assets are systematically recognized by DFAS.

For General PP&E placed into service after September 30, 1997, DFAS expenses associated environmental costs using two methods: physical capacity for operating landfills and life expectancy in years for all other assets. The full cost to clean up contamination is expensed by DFAS for Stewardship PP&E when the asset is placed into service.

In accordance with reporting requirements for asbestos, DFAS reports liabilities for buildings and facilities containing both friable and non-friable asbestos. At this time DFAS is unable to reasonably estimate an amount of the total cleanup costs related to friable and non-friable asbestos.

Nature of Estimates and the Disclosure of Information Regarding Possible Changes Due to Inflation, Deflation, Technology, or Applicable Laws and Regulations

Estimates revised by DFAS result from overlooked or previously unknown contaminants, re-estimation based on different assumptions, and other changes in project scope. Although DFAS is unaware of pending changes, environmental liabilities are subject to changes in laws and regulations, agreements with regulatory agencies, and advances in technology.

Note 8. Other Liabilities

As of September 30	2022		
	Current	Noncurrent	Total
Intragovernmental			
Other Federal Employee Benefits	\$ 7,504,185	\$ 2,492,632	\$ 9,996,817
Total Intragovernmental Other Liabilities	\$ 7,504,185	\$ 2,492,632	\$ 9,996,817
Other than Intragovernmental			
Other Federal Employee Benefits	\$ 84,604,916	\$ 0	\$ 84,604,916
Total Other than Intragovernmental	\$ 84,604,916	\$ 0	\$ 84,604,916
Total Other Liabilities	\$ 92,109,101	\$ 2,492,632	\$ 94,601,733

As of September 30	2021		
	Current	Noncurrent	Total
Intragovernmental			
Other Federal Employee Benefits	\$ 19,556,507	\$ 0	\$ 19,556,507
Total Intragovernmental Other Liabilities	\$ 19,556,507	\$ 0	\$ 19,556,507
Other than Intragovernmental			
Other Federal Employee Benefits	\$ 113,903,699	\$ 0	\$ 113,903,699
Total Other than Intragovernmental	\$ 113,903,699	\$ 0	\$ 113,903,699
Total Other Liabilities	\$ 133,460,206	\$ 0	\$ 133,460,206

Note 9. Operating Leases

As of September 30	2022		
	Asset Category		
	Land and Buildings	Equipment	Total
Federal			
Fiscal Year			
2023	\$ 27,831,378	\$ 1,064,216	\$ 28,895,594
2024	30,141,382	1,152,546	31,293,928
2025	32,643,117	1,248,207	33,891,324
2026	35,352,495	1,351,809	36,704,304
2027	30,416,853	1,464,009	31,880,862
After 5 Years	26,033,060	1,585,521	27,618,581
Total Future Lease Payments Due	\$ 182,418,285	\$ 7,866,308	\$ 190,284,593
Non-Federal			
Fiscal Year			
2023	\$ 225,881	\$ 0	\$ 225,881
2024	133,976	0	133,976
2025	0	0	0
2025	0	0	0
2026	0	0	0
After 5 Years	0	0	0
Total Non-Federal Future Lease Payment	\$ 359,857	\$ 0	\$ 359,857
Total Future Lease Payments	\$ 182,778,142	\$ 7,866,308	\$ 190,644,450

Other Disclosures

DFAS does not have any capitalized leases. All DFAS leases are operating leases for rent, where DFAS is the lessee. In order to estimate the future years' payments due, DFAS used the current Consumer Price Index (CPI) rate of 8.3%.

While a portion of DFAS's leases are cancelable, at this time all of the amounts under commitment are reasonably expected to be future expenses, and are therefore included in the above schedule.

Note 10. Commitments and Contingencies

The Defense Finance and Accounting Service accrues contingent liabilities for legal actions where the Office of General Counsel (OGC) considers an adverse decision probable and the amount of loss is measurable. If applicable, DFAS WCF would record such contingent liabilities in Note 8, Other Liabilities. In the event of an adverse judgment against the Government, some of the liabilities may be payable from the U.S. Treasury Judgment Fund.

DFAS is not aware of any contingent liabilities for legal actions in FY 2022.

Note 11. General Disclosures Related to the Statements of Net Cost

Fiscal Years Ended September 30	2022	2021
Gross Cost	\$ 1,534,495,206	\$ 1,497,549,420
Less: Earned Revenue	(1,449,732,054)	(1,460,350,042)
Total Net Cost	84,763,152	\$ 37,199,378

The Statement of Net Cost (SNC) represents the net cost of programs and organizations of the Federal Government supported by appropriations or other means. The intent of the SNC is to provide gross and net cost information related to the amount of output or outcome for a given program or organization administered by a responsible reporting entity. DFAS captures its current processes and reports accumulated costs for major programs as required by the Government Performance and Results Act. Additionally, DFAS has fully implemented unit cost reporting and reports these costs by responsibility segment on a monthly basis as required by the SFFAS No. 4, "Managerial Cost Accounting Concepts and Standards for the Federal Government," as amended by SFFAS No. 55, "Amending, Inter-entity Cost Provisions."

Intragovernmental costs and revenue represent transactions made between two reporting entities within the Federal Government. Public costs and revenues are exchange transactions made between the reporting entity and a non-federal entity.

Note 12. Disclosures Related to the Statements of Budgetary Resources

Fiscal Years Ended September 30	2022		2021
Intragovernmental:			
Unpaid	24,201,114	\$	22,125,331
Prepaid/Advanced	978,876		1,662,330
Total Intragovernmental	25,179,990	\$	23,787,661
Nonfederal:			
Unpaid	46,849,327	\$	32,330,514
Prepaid/Advanced	5,447,974		5,658,286
Total Non-federal	52,297,301	\$	37,988,800
Total Budgetary Resources Obligated for Undelivered Orders at the End of the Period	77,477,291	\$	61,776,461

Apportionment categories are determined in accordance with the guidance provided in OMB Circular No. A-11, "Preparation, Submission, and Execution of the Budget." Category A relates to appropriations for a specific period of time (e.g., Military Personnel appropriation), and category B relates to appropriations for a specific project (e.g., Military Construction appropriation). The total amount of DFAS's obligations incurred for \$1,462,661,693 is classified as Reimbursable Apportionment Category B.

Reconciliation Differences

Under OMB Circular A-11, Federal agencies are to report budgetary information in the Statement of Budgetary Resources (SBR) based on budget terminology, definitions, and guidance issued. OMB Circular A-11 also states that the information on the SBR should be consistent with budget execution information

reported in the President's Budget. Additionally, per SFFAS No. 7, "Accounting for Revenue and Other Financing Sources," agencies are to provide a financial statement footnote disclosure to explain significant differences between amounts presented in the SBR and amounts described as actuals in the President's Budget. However, since DFAS is a component of the DoD rather than a separate Federal agency as envisioned by OMB requirements, an analysis of information reported in both the SBR and the Report on Budget Execution (SF-133) at September 30, 2022 is performed. There are no differences between the SBR and the SF-133, Report on Budget Execution and Budgetary Resources & Budget Program and Financing Schedule.

Note 13. Reconciliation of Net Cost of Operations to Net Outlays

As of September 30	2022		
	Intragovernmental	With the public	Total
Net Cost of Operations (SNC)	\$ (897,423,001)	\$ 982,186,153	\$ 84,763,152
Components of the Net Cost That are Not Part of Net Outlays			
Property, plant, and equipment depreciation	\$ 0	\$ (18,162,064)	\$ (18,162,064)
Increase (decrease) in assets:			
Accounts Receivable	(27,042,302)	(723,676)	(27,765,978)
Other assets	(683,454)	(210,312)	(893,766)
(Increase)/decrease in liabilities:			
Accounts payable	91,347	4,814,638	4,905,985
Environmental and disposable liabilities		0	0
Federal employees and veteran benefits payable		3,316,834	3,316,834
Other Liabilities	9,559,689	29,298,783	38,858,472
Financing sources:			
Imputed Cost	(79,734,798)	0	(79,734,798)
Total Components of Net Costs That Are Not Part of Net Outlay	\$ (97,809,518)	\$ 18,334,203	\$ (79,475,315)
Components of Net Outlays That Are Not Part of Net Cost:			
Other	317,046	48,227	365,273
Total Components of Net Outlays That Are Not Part of Net Costs	\$ 317,046	\$ 48,227	\$ 365,273
Net Outlays	\$ (994,915,473)	\$ 1,000,568,583	\$ 5,653,110
Agency Outlays, Net, Statement of Budgetary Resources			\$ 5,653,110
Reconciling Differences			\$ 0

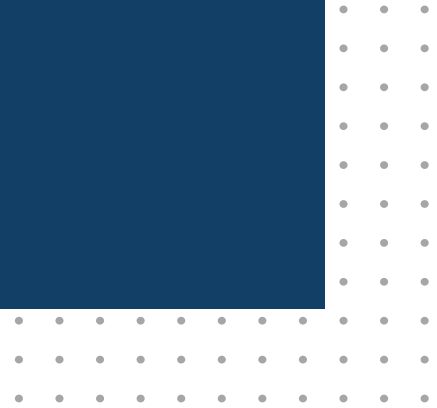
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Section III

ADDITIONAL INFORMATION (UNAUDITED)

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

NOTES PAGE





An unidentified WWII veteran places his hand on the names of the Connecticut fallen at the National Iwo Jima Memorial in New Britain CT. (U.S. Marine Corps photo by Richard Marinelli)

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

Acronym	Description
ABP	Annual Business Plans
ACL	Audit Command Language
ADA	Anti-Deficiency Act
AFR	Agency Financial Report
Agency	Defense Finance and Accounting Service
AOR	Accumulated Operating Results
BEM	Business Environment Modernization
BRS	Blended Retirement System
CAPS-W	Computerized Accounts Payable System for Windows
CEDMS	Corporate Electronic Document Management System
CERCLA	Comprehensive Environmental Response and Liability Act
CET	Continuing Education Training
CoP	Community of Practice
CPI	Consumer Price Index
CSRS	Civil Service Retirement System
CSSP	Cyber Security Service Provider
DAI	Defense Agencies Initiative
DATA	Digital Accountability and Transparency Act
DCAA	Defense Contract Audit Agency
DCI	Debt Collection Improvement Act
DCMA	Defense Contract Management Agency
DDRS	Defense Departmental Reporting System
DDRS-B	Defense Departmental Reporting System–Budgetary
DeCA	Defense Contract Audit Agency
Department	Department of Defense
DFAS	Defense Finance and Accounting Service
DHP-CRM	Defense for Health Affairs - Contract Resource Management
DISA	Defense Information Systems Agency
DoD	Department of Defense
DoD IG	Department of Defense Inspector General
DoD-EC	DoD Expeditionary Civilian
DOL	Department of Labor
DPAS	Defense Property Accountability System
DSET	Digital Signature Enforcement Tool
DWCF	Defense Working Capital Fund
eLAN	Enterprise Local Area Network
ELDP	Executive Leadership Development Program

Acronym	Description
ERP	Enterprise Resource Planning
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FEGLI	Federal Employees' Group Life Insurance Program
FEHB	Federal Employee Health Benefits
FEMA	Federal Emergency Management Agency
FERS-FRAE	FERS-Further Revised Annuity Employees
FIAR	Financial Improvement and Audit Readiness
FFMIA	Federal Financial Management Improvement Act
FMFIA	Federal Managers Financial Integrity Act
FMR	Financial Management Regulation
FMS	Foreign Military Sales
FY	Fiscal Year
GF	General Fund
GFEBs	General Fund Enterprise Business System
GSA	General Services Administration
HR	Human Resources
ICAM	Identity, Credential, and Access Management
IPA	Independent Public Accountants
IRS	Internal Revenue Service
IT	Information Technology
JVs	Journal Vouchers
MD&A	Management's Discussion and Analysis
MERHCF	Medicare Eligible Retirement Health Care Fund
MICP	Managers' Internal Control Program
MOCAS	Mechanization of Contract Administration Services
MRF	Military Retirement Fund
MRS	Military Retirement System
NDAA	National Defense Authorization Act
NFR	Notice of Findings and Recommendations
NOR	Net Operating Results
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OUSD	Office of Under Secretary of Defense
OTL	Oracle Time and Labor
OUSD(C)	Office of the Under Secretary of Defense (Comptroller)
PCS	Permanent Change of Station

Acronym	Description
PII	Personally Identifiable Information
PP&E	Property, Plant, and Equipment
RPA	Robotic Process Automation
RCRA	Resource Conservation and Recovery Act
SARA	Superfund Amendments and Reauthorization Act of 1986
PP&E	Property, Plant, and Equipment
RPA	Robotic Process Automation
RCRA	Resource Conservation and Recovery Act
SARA	Superfund Amendments and Reauthorization Act of 1986
SA	Statement of Assurance
SBR	Statement of Budgetary Resources
SF-133	Report on Budget Execution and Budgetary Resources
SFFAS	Statement of Federal Financial Accounting Standards
SFIS	Standard Financial Information Structure
SLOA	Standard Line of Accounting
SNC	Statement of Net Cost
SOP	Standard Operating Procedure
SSAE-18	Standards for Attestation Engagements No. 18
SSN	Social Security Number
TFM	Treasury Financial Manual
TI	Treasury Index
Treasury	U.S. Department of Treasury
TSP	Thrift Savings Plan
U.S.C.	United States Code
US GAAP	U.S. Generally Accepted Accounting Principles
WCF	Working Capital Fund

NOTES PAGES

