OFFICE OF THE UNDER SECRETARY OF DEFENSE
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COMPTROLLER

MAR 6 2012

MEMORANDUM FOR ASSISTANT SECRETARIES OF THE MILITARY DEPARTMENTS (FINANCIAL MANAGEMENT AND COMPTROLLER)
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
COMPTROLLER, U.S. SPECIAL OPERATIONS COMMAND

SUBJECT: Financial Statement Responsibility for Reporting Military Equipment under the Operational Control of Another Entity

The Under Secretary of Defense (Comptroller)/Chief Financial Officer's priorities for the Department achieving audit readiness focus on the Statement of Budgetary Resources and existence and completeness of mission critical assets (accountability), to include military equipment. Generally accepted accounting principles (GAAP) require the entity exercising control over the economic benefits of an asset to be accountable for the asset and report the asset on its financial statements. Control is defined in Statement of Federal Financial Concepts 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements,* as the ability of the federal government to obtain the economic benefits or services embodied in a resource and to deny or regulate the access of others. In the Department, this control is assigned to operational and administrative commanders who employ equipment to carry out missions assigned to that command. A command that is a financial reporting entity and controls military equipment shall report that equipment on its financial statements.

To support the Department's audit readiness priorities and the requirements of GAAP, Department Components should transfer assets and financial reporting responsibility to the entity with operational control over the assets. The transfer should be completed by June 30, 2012. The transfers must comply with the transfer and reporting policies in the *Department of Defense Financial Management Regulation* (DoDFMR), Volume 4 (Chapters 6 and 16) and Volume 6B (Chapter 1). This policy will be published in the next DoDFMR update.

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