



Department of Defense

DIRECTIVE

NUMBER 5118.03

April 20, 2012

DA&M

SUBJECT: Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense (USD(C)/CFO)

References: See Enclosure

1. **PURPOSE.** This Directive:

a. Reissues DoD Directive (DoDD) 5118.03 (Reference (a)) to update the responsibilities and functions, relationships, and authorities of the USD(C)/CFO, pursuant to the authority vested in the Secretary of Defense by sections 113 and 135 of title 10, United States Code (U.S.C.) (Reference (b)).

b. Authorizes the USD(C)/CFO, as a Principal Staff Assistant (PSA) reporting directly to the Secretary of Defense, to establish DoD policy in DoD issuances within the responsibilities, functions, and authorities assigned herein, in accordance with DoD Instruction (DoDI) 5025.01 (Reference (c)).

c. Supersedes Deputy Secretary of Defense Memorandum (Reference (d)).

2. **APPLICABILITY.** This Directive applies to OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities in the DoD (hereinafter referred to collectively as the "DoD Components").

3. **DEFINITIONS.** See Glossary.

4. **RESPONSIBILITIES AND FUNCTIONS.** The USD(C)/CFO is the PSA and advisor to the Secretary of Defense for budgetary and financial matters. The USD(C)/CFO focuses on budgetary formulation and execution; financial management and oversight; improvement of the DoD financial management workforce; improvement and integration of performance and

financial information and achievement of audit readiness; financial systems; accounting policy; contract audit administration; and financial management improvement programs. The USD(C)/CFO is the chief financial management advisor to the Secretary of Defense and shall manage all functions and responsibilities as assigned in section 902 of title 31, U.S.C. (Reference (e)). In this capacity, the USD(C)/CFO shall:

a. Administer and provide analysis and recommendations for the budgeting and execution phases of the planning, programming, budgeting, and execution (PPBE) process of the DoD, utilizing advice from the Director, Cost Assessment and Program Evaluation (DCAPE) and the Deputy Chief Management Officer (DCMO). Provide analyses, advice, and recommendations to the Under Secretary of Defense for Policy and the DCAPE on matters relating to the planning and programming phases of the PPBE process.

b. Direct the formulation and presentation of DoD budgets, the interactions with the Office of Management and Budget (OMB) and Congress on budgetary and fiscal matters, and the execution and control of approved budgets. Maintain effective control and accountability over the use of all financial resources of the DoD. In coordination with the DCMO, conduct analyses aimed at increasing the efficiency of defense spending.

c. Provide guidance and oversight with regard to the recruiting, retention, training, and professional development of the DoD financial management workforce, to include establishing a Functional Community Management Office headed by a senior executive to be responsible for this function.

d. Direct improvements to the financial information available to the DoD and establish policies that lead to unqualified audit opinions on the financial information most used by management, coordinating, as appropriate, with the DCMO. Co-chair, with the DCMO, the Financial Improvement and Audit Readiness (FIAR) Governance Board and oversee reporting to Congress on FIAR issues.

e. In coordination with the DCMO, provide for the design, development, and installation of financial systems and for management improvement programs throughout the DoD, especially those related to financial management. The USD(C)/CFO shall:

(1) Advise and assist the Secretary of Defense on implementation of section 1115 of Reference (e).

(2) Establish and maintain the Managers' Internal Control Program for DoD, in accordance with OMB Circular No. A-123 and DoDI 5010.40 (References (f) and (g)), to control waste, fraud, loss, mismanagement, and inefficiency for internal control over nonfinancial operations, financial reporting, and financial systems. Establish and chair a Senior Assessment Team for reporting internal controls over financial reporting.

(3) Promote accuracy and reliability in accounting and operating data.

(4) Develop, disseminate, and monitor execution of quarterly, annual, and long-term performance goals, including measures and milestones, for DoD contract audit administration and financial management improvement. Ensure annual and long-term goals are identified in the Annual Performance Plan and the DoD Strategic Plan (Quadrennial Defense Review Report). Maintain a metrics program that links DoD strategy to results, with a focus on improvements in the performance of financial management.

f. Establish and supervise the execution of uniform DoD policies, principles, and procedures, including terminologies and classifications, as necessary, for the following:

(1) Budget formulation, presentation, and execution; financial management programs and systems; financial improvement and audit readiness, accounting and disbursing systems, including those for nonappropriated funds; accounting policy applicable to nonappropriated fund retirement plans; cash and credit management; debt collection; financial progress and statistical reporting; duties involving enforcement of sections 1341, 1342, and 1517 of Reference (e) (also known and hereinafter referred to as “The Antideficiency Act”), in accordance with OMB Circular No. A-11 and Volume 14 of DoD 7000.14-R (References (h) and (i)); and technical, organizational, and administrative matters related to contract audit.

(2) Relationships with financial institutions, including those operating on DoD installations in the United States and overseas.

(3) International financial matters, including the adequacy of international financial agreements.

(4) Prices for transactions involving the provision of goods and services by DoD Components, including sales to foreign governments.

(5) Access to DoD budgetary material and other records by the U.S. Government Accountability Office.

g. Serve as the CFO of the DoD and, in that capacity, shall:

(1) Oversee all financial management activities for the programs and operation of the DoD.

(2) Oversee development and maintenance of integrated DoD accounting and financial management systems, including financial reporting and management controls, which comply with Reference (e).

(3) Direct, manage, and provide policy guidance and oversight of DoD financial management personnel, activities, and operations, to include implementation of DoD asset management systems, including systems for cash management, credit management, debt collection, and property and inventory management control.

(4) Monitor the financial execution of the DoD budget for actual obligations, expenditures, and costs incurred. Monitor, in consultation with the Office of the Director of National Intelligence (ODNI), the execution of the DoD portion of the National Intelligence Program (NIP). In coordination with the DCMO, prepare and submit to the Secretary of Defense and the Director of National Intelligence (DNI), as appropriate, timely performance reports, including the DoD Agency Financial Report, as required by OMB Circular No. A-136 (Reference (j)).

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

h. Advise and assist the Secretary of Defense on administration and organization of the contract audit function within the DoD.

i. Advise and assist the Secretary of Defense on administration and organization of the finance and accounting functions in the DoD.

j. Advise and assist the Secretary of Defense on improving event-specific financial reporting (such as cost of war reports) to enhance its credibility, transparency, and timeliness.

k. Serve as the chair of the Defense Working Capital Fund (DWCF) Corporate Board, which collaboratively develops, reviews, and recommends DWCF policies and procedures.

l. Review, evaluate, and manage financial systems in support of DoD information management and life-cycle programs, including the development, improvement, and maintenance of data standards. Establish policies and procedures to ensure that accounting, financial, and asset management systems and other related DoD information solutions are designed, developed, maintained, and used, pursuant to section 11316 of title 40, U.S.C. (Reference (k)), and in accordance with DoDD 8000.01 (Reference (l)).

m. Serve as the PSA for the development, integration, implementation, and maintenance of financial strategic plans, reengineering of financial practices, business information systems architectures related to financial management, and related strategies. Review, approve, and provide oversight of the planning, design, acquisition, deployment, operation, maintenance, and modernization of financial defense business systems, pursuant to section 2222 of Reference (b). Ensure preparation and validation of economic analyses in support of financial systems.

n. Assess financial management performance within the DoD and the responsiveness of budgetary, fiscal, and management improvement products and services to the requirements of the DoD Components, in coordination with the Chairman of the Joint Chiefs of Staff, when appropriate, and advise the Secretary of Defense accordingly.

o. Ensure that budgetary, fiscal, and general management improvement policies and programs are designed and managed to improve performance standards, economy, and

efficiency, and that all Defense Agencies and DoD Field Activities, under the authority, direction, and control of the USD(C)/CFO, are attentive to the requirements of their organizational customers, both internal and external to the DoD.

p. Review assigned functions and responsibilities periodically to ensure that DoD Executive Agent responsibilities resident under the cognizance of the USD(C)/CFO are in conformance with DoDD 5101.1 (Reference (m)).

q. Perform such other duties as the Secretary or Deputy Secretary of Defense may prescribe.

5. RELATIONSHIPS

a. In the performance of assigned responsibilities and functions, the USD(C)/CFO shall:

(1) Report directly to the Secretary of Defense.

(2) Exercise authority, direction, and control over:

(a) The Director, Defense Finance and Accounting Service (DFAS), in accordance with DoDD 5118.5 (Reference (n)).

(b) The Director, Defense Contract Audit Agency, in accordance with DoDD 5105.36 (Reference (o)).

(c) The Director, Defense Resource Management Institute (DRMI), in accordance with DoDI 5010.35 (Reference (p)).

(d) Such other subordinate officials as assigned.

(3) Coordinate and exchange information with other OSD officials, the Heads of the DoD Components, and Federal agencies having collateral or related responsibilities and functions.

(4) Use existing systems, facilities, and services of the DoD or other Federal agencies, when possible, to avoid duplication and to achieve maximum efficiency and economy.

(5) Maintain liaison with congressional budget oversight committees on DoD budgetary and fiscal matters.

(a) Serve as the principal DoD liaison with the Senate Appropriations Committee, House Appropriations Committee (including the Surveys and Investigations Staff), and the Congressional Budget Office.

(b) Maintain liaison with, and be the DoD's focal point for, all budget and management relations with the OMB.

(6) Be consulted as to professional qualifications of Defense Agency and DoD Field Activity Comptrollers (or equivalents) before their selection to such positions.

b. The other OSD PSAs and the Heads of the DoD Components shall coordinate with the USD(C)/CFO on all matters under their purview related to the authorities, responsibilities, and functions assigned in this Directive.

6. AUTHORITIES. Pursuant to the authority vested in the Secretary of Defense, and subject to his or her authority, direction, and control, and in accordance with DoD policies and issuances, the USD(C)/CFO is hereby delegated authority to exercise, within assigned responsibilities and functional areas, all authority of the Secretary of Defense derived from statute, Executive order, or interagency agreement, except where specifically limited by statute or Executive order to the Secretary of Defense, and is hereby delegated authority to:

a. Establish, in DoDIs and one-time Directive-Type Memorandums (DTMs), DoD policy within the authorities and responsibilities assigned herein, including authority to identify collateral responsibilities of other OSD PSAs and the Heads of the DoD Components. This authority shall not be redelegated. Such issuances shall be fully coordinated in accordance with Reference (c). Further, in areas of assigned responsibilities and functions, the USD(C)/CFO has authority to approve and sign other DoDIs, DoD Manuals, and one-time DTMs, in accordance with Reference (c), that implement policy approved by the Secretary or Deputy Secretary of Defense. Instructions to the Military Departments shall be issued through the Secretaries of those Departments or their designees. Instructions to the Combatant Commands normally shall be communicated through the Chairman of the Joint Chiefs of Staff.

b. Establish policy for, and oversee the operations of, the DRMI. The DRMI shall continue as a joint entity of the DoD, operating under the overall supervision of the USD(C)/CFO. The designation of the Secretary of the Navy as the DoD Executive Agent for the DRMI, with the powers and duties originally established in Reference (m), shall remain in effect until revoked or superseded by the Secretary of Defense.

c. Obtain reports and information in accordance with DoDI 8910.01 (Reference (q)), as necessary, to carry out assigned responsibilities and functions.

d. Communicate directly with the Heads of the DoD Components, as necessary, to carry out assigned responsibilities and functions, including the transmission of requests for advice and assistance. Communications to the Military Departments shall be transmitted through the Secretaries of the Military Departments, their designees, or as otherwise provided in law or directed by the Secretary of Defense in other DoD issuances. Communications to the Commanders of the Combatant Commands normally shall be transmitted through the Chairman of the Joint Chiefs of Staff.

e. Establish arrangements for DoD participation in non-DoD governmental programs for which the USD(C)/CFO is assigned primary DoD cognizance.

f. Communicate with other Government officials, representatives of the Legislative Branch, and members of the public, as appropriate, in carrying out assigned responsibilities and functions. Communications with representatives of the Legislative Branch shall be coordinated with the Assistant Secretary of Defense for Legislative Affairs, as appropriate, and be consistent with the DoD Legislative Program.

g. Approve or withhold authority to obligate and expend funds authorized and appropriated by Congress for the execution of DoD programs.

h. Approve requests to hold cash at personal risk for authorized purposes, including imprest funds, and to redelegate such authority as appropriate in the administration and control of DoD funds, in accordance with provisions of the Treasury Financial Manual (TFM) (Reference (r)) and pursuant to the authority of sections 3321 and 3342 of Reference (e).

i. Establish policy and assign responsibilities for the administration and management of certifying officer and DoD accountable official functions within the DoD and its Components, pursuant to the authority of section 2773a of Reference (b) and sections 3325, 3527, 3528, and 3529 of Reference (e), to include the establishment of pecuniary liability of DoD accountable officials and the approval of relief of certifying officers from pecuniary liability.

j. Implement the relevant portions of the TFM within the DoD and grant waivers when delegated by the Secretary of the Treasury to the heads of Executive departments and agencies.

k. Approve the establishment of accounts for funds provided to the DoD, coordinating with the ODNI and other DoD Components, as appropriate, and issue regulations for the administration of accounts established, pursuant to statutory authority.

l. Exercise the authority of the Secretary of Defense to establish reimbursement rates and prices for DoD goods and services and to approve requests for waivers or reductions of such rates and prices that, by statute, may be exercised by the Secretary of Defense.

m. Make determinations to effect transfers under transfer authorities enacted in other statutes and DoD and military construction appropriations and authorization acts and make any reports or furnish notifications to the Congress or its Committees that may be required in connection with the exercise of such transfers. This authority may not be redelegated. The transfer of NIP funds to, from, and among DoD accounts, subject to the authorities of the DNI, will be coordinated with the DNI.

n. Authorize transfers of funds available for the Defense Commissary Agency to a nonappropriated fund instrumentality (NAFI) to offset losses if a NAFI incurs a loss in operating a combined exchange and commissary store at a military installation as a result of the requirement to make adjustments to, and surcharges on, the sales price of grocery food items sold, pursuant to section 2488(e) of Reference (b).

o. Approve all requests for reprogramming of funds, except as limited by section 403-1 of title 50, U.S.C. (also known as section 102A of “The National Security Act of 1947”) (Reference (s)), as amended, and make any reports or furnish notifications to the Congress or its Committees that may be required in connection with such reprogrammings. This authority may not be redelegated.

p. Transmit reports of Antideficiency Act violations, as required by sections 1351 and 1517(b) of Reference (e), Reference (h), and Reference (i), to the OMB, the President, and the Congress. This authority may not be redelegated. Coordinate on Antideficiency Act violation reports involving NIP funds before ODNI transmits the reports to the OMB, the President, and the Congress.

q. Approve obligation adjustments, and supervise and exercise all necessary authorities in connection with the closing of accounts, pursuant to the provisions of subchapter IV of chapter 15 of Reference (e) and the transition provisions pertaining to the DoD that are related to such provisions.

r. Provide for the administration, receipt of payments and contributions, deposits to and payments from special funds and accounts, and submission of reports on the status of such funds and accounts to the Congress under the terms and conditions that are contained in the provisions of Reference (b) and annual appropriations and authorization acts. Such funds include, but are not limited to, the DoD Overseas Military Facility Investment Recovery Account, the Base Realignment and Closure Accounts, the Defense Cooperation Account, the National Defense Sealift Fund, and the Voluntary Separation Incentive Fund.

s. Provide fiscal oversight for defense and military intelligence activities in support of the Secretary of Defense’s execution of responsibilities, in accordance with Part 1, 1.10(k) of Executive Order 12333 (Reference (t)).

t. Accept gifts offered to the DoD, pursuant to sections 2601 or 2608 of Reference (b), or other statutory authority.

u. Notify the Congressional Defense committees, pursuant to section 127(c)(1) of Reference (b), of proposed obligations or expenditures of emergency and extraordinary expenses funds.

v. In matters pertaining to the operations and functions of the DFAS:

(1) Waive a claim, pursuant to subsection 5584(a)(2) of title 5, U.S.C. (Reference (u)); subsection 2774(a)(2) of Reference (b); and subsection 716(a)(2) of title 32, U.S.C. (Reference (v)); and make recommendations to the General Counsel of the Department of Defense (GC, DoD) on the waiver of claims under subsections (a)(1) of these provisions, in accordance with DoDD 1340.22 (Reference (w)).

(2) Remit or cancel a member’s indebtedness, pursuant to sections 4837, 6161, and 9837 of Reference (b).

(3) Collect, compromise, suspend, or end collection action on claims arising out of the activities of, or referred to, the DFAS, pursuant to section 3711 of Reference (e).

(4) Request payment and certification decisions from the GC, DoD, pursuant to section 3529 of Reference (e).

(5) Issue regulations establishing conditions under which reimbursements for financial institution charges resulting from late or incorrect direct deposits shall be made, pursuant to sections 1053 and 1594 of Reference (b).

(6) Designate a person to receive amounts due a member determined to be mentally incapable of managing the member's affairs, pursuant to section 602 of title 37, U.S.C. (Reference (x)).

(7) Make findings of good faith on purported marriages, pursuant to section 423 of Reference (x).

(8) Make dependency determinations for pay and allowance and medical care entitlements, pursuant to Reference (w) and chapter 55 of Reference (b).

(9) Make determinations necessary for the administration of missing persons' accounts, except determinations on missing status or death, pursuant to Chapter 10 of Reference (x).

(10) Make determinations necessary for the administration of the annuity plans covered by Chapter 73 of Reference (b).

w. In accordance with Reference (c), reissue, when necessary, chartering DoDDs for those OSD Presidentially Appointed, Senate-confirmed officials, under the authority, direction, and control of the USD(C)/CFO. This authority may not be redelegated. The Director of Administration and Management shall continue to develop and maintain these chartering DoDDs, in accordance with DoDD 5105.53 (Reference (y)).

x. Redelegate these authorities, as appropriate, and in writing, except as otherwise specifically indicated in this Directive, or as otherwise provided by law, Executive order, or regulation.

7. RELEASABILITY. UNLIMITED. This Directive is approved for public release and is available on the Internet from the DoD Issuances Website at <http://www/dtic.mil/whs/directives>.

8. EFFECTIVE DATE

a. This Directive is effective upon its publication to the DoD Issuances Website.

b. If this Directive is not otherwise reissued or cancelled in accordance with Reference (c), it will expire effective April 20, 2022 and be removed from the DoD Issuances Website.

A handwritten signature in cursive script, appearing to read "Ashton B. Carter".

Ashton B. Carter
Deputy Secretary of Defense

Enclosure
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ENCLOSURE

REFERENCES

- (a) DoD Directive 5118.03, "Under Secretary of Defense (Comptroller) (USD(C))/Chief Financial Officer (CFO), Department of Defense," January 6, 1997 (hereby cancelled)
- (b) Title 10, United States Code
- (c) DoD Instruction 5025.01, "DoD Directives Program," October 28, 2007
- (d) Deputy Secretary of Defense Memorandum, "Delegation to Under Secretary of Defense (Comptroller) to Manage and Administer the Departmental Accountable Official and Certifying Officer Functions," September 30, 2009 (hereby cancelled)
- (e) Title 31, United States Code
- (f) Office of Management and Budget Circular No. A-123, "Management's Responsibility for Internal Control," August 5, 2005
- (g) DoD Instruction 5010.40, "Managers' Internal Control Program (MICP) Procedures," July 29, 2010
- (h) Office of Management and Budget Circular No. A-11, "Preparation, Submission, and Execution of the Budget," current edition
- (i) DoD 7000.14-R, "DoD Financial Management Regulation," current edition
- (j) Office of Management and Budget Circular No. A-136, "Financial Reporting Requirements," September 29, 2010
- (k) Section 11316 of title 40, United States Code
- (l) DoD Directive 8000.01, "Management of the Department of Defense Information Enterprise," February 10, 2009
- (m) DoD Directive 5101.1, "DoD Executive Agent," September 3, 2002
- (n) DoD Directive 5118.5, "Defense Finance and Accounting Service," November 26, 1990
- (o) DoD Directive 5105.36, "Defense Contract Audit Agency (DCAA)," January 4, 2010
- (p) DoD Instruction 5010.35, "Defense Resources Management Institute (DRMI)," September 28, 2007
- (q) DoD Instruction 8910.01, "Information Collection and Reporting," March 6, 2007
- (r) Treasury Financial Manual, current edition¹
- (s) Section 102A of the National Security Act of 1947, as amended (50 U.S.C. 403-1)
- (t) Executive Order 12333, "United States Intelligence Activities," December 4, 1981 as amended
- (u) Section 5584 of title 5, United States Code
- (v) Section 716 of title 32, United States Code
- (w) DoD Directive 1340.22, "Waiver of Debts Resulting from Erroneous Payments of Pay and Allowances," January 8, 2005
- (x) Chapter 10 and sections 423 and 602 of title 37, United States Code
- (y) DoD Directive 5105.53, "Director of Administration and Management (DA&M)," February 26, 2008

¹ Available at <http://www.fms.treas.gov/tfm/index.html>

- (z) Joint Publication 1-02, “Department of Defense Dictionary of Military and Associated Terms,” as amended

GLOSSARY

PART I. ABBREVIATIONS AND ACRONYMS

CMO	Chief Management Officer
DCAPE	Director, Cost Assessment and Program Evaluation
DCMO	Deputy Chief Management Officer
DFAS	Defense Finance and Accounting Service
DNI	Director of National Intelligence
DoDD	DoD Directive
DoDI	DoD Instruction
DRMI	Defense Resource Management Institute
DTM	Directive-Type Memorandum
FIAR	Financial Improvement and Audit Readiness
GC, DoD	General Counsel of the Department of Defense
NAFI	nonappropriated fund instrumentality
NIP	National Intelligence Program
ODNI	Office of the Director of National Intelligence
OMB	Office of Management and Budget
PPBE	planning, programming, budgeting, and execution
PSA	Principal Staff Assistant
TFM	Treasury Financial Manual
U.S.C.	United States Code
USD(C)/CFO	Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense

PART II. DEFINITIONS

Unless otherwise noted, these terms and their definitions are for the purpose of this Directive.

executive agent. Defined in Reference (m).

FIAR Governance Board. The FIAR Governance Board, which was established in FY 2010, replaces the Financial Management Leadership Council, and expands the participants to include the DCMO of the DoD and the Chief Management Officers (CMOs) of the Military Departments. The FIAR Governance Board engages the Department's most senior leaders from

the financial management community. The DCMO of the DoD and the CMOs of the Military Departments have cross-community (business and financial) responsibilities and authority to transform budget, finance and accounting operations, and to eliminate or replace financial management systems that are inconsistent with transformation. The Board is co-chaired by the USD(C)/CFO and the DCMO of the DoD and meets quarterly to review Component progress.

military construction. Defined in Joint Publication 1-02 (Reference (z)).

working capital fund. Defined in Reference (z).