MEMORANDUM FOR ASSISTANT SECRETARIES OF THE MILITARY DEPARTMENTS  
(FINANCIAL MANAGEMENT AND COMPTROLLER)  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF THE DOD FIELD ACTIVITIES  

SUBJECT: Accounting Policy Update for Triannual Review of Obligations and Unfilled Orders  

Reference: Department of Defense (DoD) Financial Management Regulation (FMR) Volume 3,  
Chapter 8, Section 0804  

The goal in performing the Triannual Review is to increase the Component’s ability to use  
available appropriations before they expire and ensure remaining open obligations are fairly stated  
and valid. From a financial audit perspective, one outcome of a well-executed and documented  
Triannual Review is to provide support for the reasonableness of all open recorded obligations.  

However, based on recent examinations and audits, it appears Triannual Reviews are not  
complete or documented on significant, material dollar amounts; therefore, obligations are  
overstated or understated. This is a financial audit issue because financial reports do not  
appropriately reflect the status of obligations – they are not presented in accordance with  
generally accepted accounting principles. From a management perspective, obligations that are  
overstated may result in funding expiring unused when funds could have been realigned for other  
uses during the year of execution.  

To achieve the Department’s goal in performing the Triannual Review and to support  
audit readiness, Components should ensure close collaboration between key stakeholders –  
which may include the funds holder, contracting officer, program manager, and accounting  
office – to determine the accuracy and status of all recorded obligations. Further, Triannual  
Reviews of obligations must be adequately documented and such documentation retained for  
2 years after cancellation of the related appropriation (or 10 years in the case of no-year funds) to  
support future financial audits. To ensure this, an additional internal control should be  
established as part of the Component’s internal controls over financial reporting. Specifically,  
management should review Triannual Review documentation for a sample of obligations to  
determine whether the review was effective, providing management evidence on which parts of  
the process work well and where additional work is needed.  

This policy is effective immediately and will be incorporated into the next update of the  
referenced DoD FMR chapter. My point of contact is Ms. Alaleh Jenkins, available at  
alaleh.jenkins@osd.mil or (703) 614-6524.  

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