



OFFICE OF THE UNDER SECRETARY OF DEFENSE

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COMPTROLLER

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](mailto:alaleh.jenkins@osd.mil) or (703) 614-6524.

A handwritten signature in black ink, appearing to read "Mark E. Easton".

Mark E. Easton  
Deputy Chief Financial Officer