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**OFFICE OF THE UNDER SECRETARY OF DEFENSE**

**1 100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1 100**

March 18, 2021

**MEMORANDUM FOR DEPUTY ASSISTANT SECRETARIES OF THE MILITARY  
DEPARTMENTS (FINANCIAL OPERATIONS)  
DEFENSE AGENCY AND DOD FIELD ACTIVITY CHIEF  
FINANCIAL EXECUTIVES**

**SUBJECT: Out of Balance Accounting Adjustments (FPM21-02)**

This memorandum reinforces the Department of Defense (DoD) Financial Management Regulation (FMR), Volume 6A, Chapter 2, subparagraph 020210.C.2. Effective September 30, 2022, the debits must equal the credits on all accounting adjustments. Out of balance accounting adjustments will be prohibited within the Defense Departmental Reporting System. In order to achieve this milestone, all DoD Components must identify root causes for the out of balance accounting adjustments and provide corrective action plans by October 2021 to the Office of the Under Secretary of Defense (Comptroller), Financial Management Policy and Reporting Directorate.

The Government Accountability Office (GAO) report GAO-20-96, "Department of Defense Actions Needed to Reduce Accounting Adjustments," dated January 10, 2020, identified out of balance accounting adjustments as inconsistent with the DoD FMR. Additionally, the DoD Office of Inspector General (OIG) identified "Unsupported Accounting Adjustments" as a material weakness in the DoD Agency Financial Report for Fiscal Year 2020. The DoD OIG reported that the failure to establish and implement effective controls over accounting adjustments created a high risk of material misstatement for all financial statement line items. This policy memo addresses the GAO and DoD OIG findings in accordance with generally accepted accounting principles.

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