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OFFICE OF THE UNDER SECRETARY OF DEFENSE

1 1 0 0 DEFENSE PENTAGON
WASHINGTON, DC 20301-1 1 0 0

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

SUBJECT: Mandatory Action Plans for Unsupported Accounting Adjustments (FPM21-04)

This memorandum establishes a requirement for DoD Components to create action plans to remediate unsupported accounting adjustments. This new requirement is effective immediately. The Department will focus on several areas, beginning with Fund Balance with Treasury and Trading Partner Elimination accounting adjustments. Additional areas will be identified annually and published through a policy memorandum.

On a monthly basis, the Defense Finance and Accounting Service (DFAS) will provide all applicable Components a listing of unsupported journal vouchers requiring action plans. Each Component will be required to create a detailed action plan with supporting documentation which must be returned to DFAS by the last business day of the month, following the recordation of the accounting adjustments in Defense Departmental Reporting System (DDRS) Budgetary and DDRS Audited Financial Statements. For example, a detailed action plan and supporting documentation for an unsupported accounting adjustment recorded in July for the June reporting period must be provided to DFAS by the last business day in August. Upon receipt of the action plans, DFAS will assign an action plan code to each accounting adjustment for ingesting into Advana for recordation and monitoring.

Action plans are required to measure and monitor the effectiveness of efforts to reduce unsupported accounting adjustments. This new requirement also addresses Government Accountability Office (GAO) and DoD Office of Inspector General (OIG) findings in accordance with generally accepted accounting principles. The GAO report GAO-20-96, "Department of Defense: Actions Needed to Reduce Accounting Adjustments," dated January 10, 2020, noted that DoD lacked action plans for addressing the underlying causes of accounting adjustments. Additionally, the DoD 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.

The next update to the DoD Financial Management Regulation, Volume 6A, Chapter 2 will incorporate this requirement. My staff point of contact (POC) for this matter is Ms. Krystal J. Baranoski, at Krystal.J.Baranoski.civ@mail.mil or 703-695-7193. The DFAS POCs for submitting action plans are Ms. Joanne Robbins (Joanne.E.Robbins.civ@mail.mil) and Ms. Tina Griffith (Tina.M.Griffith9.civ@mail.mil).

Kim R. Laurance
Acting Deputy Chief Financial Officer