



OFFICE OF THE UNDER SECRETARY OF DEFENSE
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COMPTROLLER

FEB 20 2020

MEMORANDUM FOR ASSISTANT SECRETARIES OF THE MILITARY DEPARTMENTS
(FINANCIAL OPERATIONS AND COMPTROLLER)
DIRECTORS OF DEFENSE AGENCIES

SUBJECT: Standardization of the Footnotes to the Financial Statements (FPM 19-16)

This memorandum establishes the recommended standard Financial Statement Footnotes (Footnotes) for Reporting Entities. It is preferred the Component Footnote numbers and disclosures are identical to the Agency-wide (AW) Footnote numbers and disclosures.

The DoD Office of Inspector General (OIG) identified “Entity-Level Controls” and “DoD-Wide Oversight and Monitoring” as material weaknesses in the Fiscal Year (FY) 2019 DoD Agency Financial Report. The OIG states the risk of ineffective Entity-Level Controls could result in Components issuing inaccurate financial reports and disclosures that are not prepared in accordance with Generally Accepted Accounting Principles (GAAP). In the DoD-Wide Oversight and Monitoring material weakness, OIG states a lack of oversight resulted in incomplete, inaccurate, and non-GAAP compliant reporting by the Components. This policy memo addresses an aspect of these material weaknesses in accordance with the Office of Management and Budget Circular A-136, “Financial Reporting Requirements.”

The Defense Departmental Reporting System (DDRS) Audited Financial Statements (AFS) application generates standard pre-numbered AW and Component Footnotes. Effective in the third quarter of FY 2020, in an effort to increase consistency and transparency throughout the Department, it is recommended Components use the AW standard Footnotes generated by DDRS AFS, including the standard narrative within Footnote 1 as attached. It is preferred Footnotes not applicable to the Component are clearly identified as shown on the attachment.

The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) is collaborating with the financial community to create consistent GAAP-compliant Footnotes in DDRS AFS for AW and the Components. If a Component believes a Footnote needs additional or different narrative to enhance the reader’s understandability, or be tailored to specific facts or circumstances, the Component should make the needed changes to the standard language provided. Components may include sub-categories to the Footnote tables to clarify narratives. The Components should inform OUSD(C) of significant additional disclosures to ensure OUSD(C) considers such disclosures for the DoD AW Footnotes.

This policy memo will be incorporated into the next update to the DoD Financial Management Regulation, Volume 6B, Chapter 10. My staff point of contact is Ms. Krystal J. Baranoski (Krystal.J.Baranoski.civ@mail.mil or 703-695-7193).

Mark E. Easton
Deputy Chief Financial Officer



Attachment: As stated

Component Financial Statements

Note 1. Significant Accounting Policies

DD. Standardized Footnotes to the Financial Statements

Beginning in FY 2020, the DoD Agency-wide Footnotes and its stand-alone Components' Footnotes have the same Footnote structure in the notes to the financial statements included in their respective annual financial statements. For Footnotes not applicable to a Component because it does not have such transactions, or has such transactions that are immaterial to the financial statements, the Footnote number and name is included but is marked as "Not Applicable." The shared Footnote structure provides efficiency in the preparation of the DoD Agency-wide financial statements and consistency among the DoD Agency-wide and stand-alone Component annual financial statements.

Examples

Note 7. Direct Loans and Loans Guarantees, Non-Federal Borrowers

Not Applicable

Note 13. Military Retirement and Other Federal Employment Benefits

Not Applicable