

UNITED STATES DEPARTMENT OF DEFENSE



# AGENCY FINANCIAL REPORT

FISCAL YEAR 2017



# FOREWORD

## Agency Financial Report

This United States Department of Defense (DoD) Agency Financial Report (AFR) for fiscal year (FY) 2017, provides the Department's financial and summary-level performance results to the Congress, the President, and the public in order to demonstrate its accountability and stewardship over the resources entrusted to it. FY 2017 covers the reporting period lasting from October 1, 2016 through September 30, 2017.

In accordance with the Office of Management and Budget (OMB) Circular A-136, "Financial Reporting Requirements," the Department has chosen to publish an AFR and an Annual Performance Report (APR) in lieu of a combined Performance and Accountability Report. The AFR is intended to simplify and summarize information while providing transparent financial and performance reporting.

The Department previously published a Summary of Performance and Financial Information (also known as the Citizens Report); however, it is no longer a required report. Prior year publications are available on the Under Secretary of Defense (Comptroller) public website.

## Annual Performance Report

Published with the Department's annual budget submission in February 2018, the Annual Performance Report will provide a detailed description of performance measures and FY 2017 results.



Secretary of Defense Jim Mattis meets with Marines at the U.S. embassy in Riyadh, Saudi Arabia, April 19, 2017.

*Photo by Tech. Sgt. Brigitte N. Brantley*

## About the Department of Defense Agency Financial Report

The DoD AFR is required by law, including the Chief Financial Officers Act of 1990, the Government Management and Reform Act of 1994, and the Accountability of Tax Dollars Act of 2002. This report includes four main sections.

The **Management's Discussion and Analysis (MD&A) Section** is required supplementary information and provides an executive-level overview of the Department and its use of taxpayer resources in FY 2017. The MD&A includes a DoD Overview that describes the Department's mission, major programs, strategic priorities, and organizational structure; a Performance Overview that provides summary-level reporting on select accomplishments, key performance measures and key initiatives through the third quarter of FY 2017; a Financial Overview that reports on highlights from the FY 2017 agency-wide consolidated financial statements and provides updates on the Department's financial management improvement initiatives; and an Internal Controls Overview that describes the Department's enterprise risk management and internal controls program, business and financial management systems improvement strategy, and improper payments reporting.

The **Financial Section**, introduced by the Chief Financial Officer, includes the FY 2017 DoD agency-wide consolidated financial statements (the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources) and the accompanying explanatory notes to the financial statements. Additionally, this section provides required supplementary information and the Independent Auditor's report on the financial statements, accompanying notes, and the Department's internal controls over financial reporting.

The **Other Information Section** reports detailed information on the Department's identified material weaknesses in internal controls, improper payments and recoveries, efforts to "reduce the footprint" of DoD real property, compliance efforts in response to fraud reduction and grant oversight regulations, and DoD Inspector General-identified management and performance challenges facing the Department.

The **Appendices Section** includes the Defense Security Cooperation Agency – Security Assistance Accounts financial statements and explanatory notes – accounts the Department executes on behalf of the Executive Office of the President. The Appendices section also includes a list of acronyms and abbreviations, useful websites, and an index of figures and tables included throughout this report.

The estimated cost of this report or study for the Department of Defense is approximately \$351,000 in Fiscal Years 2017 – 2018. This includes \$159,700 in expenses and \$191,300 in DoD labor.

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Members of a Joint Service Color Guard prepare to participate in a parade before the 2016 Military Bowl at the Navy – Marine Corps Memorial Stadium in Annapolis, Md., Dec. 27, 2016. The Wake Forest Demon Deacons defeated the Temple Owls 34-26.

*Photo by Sgt. James K. McCann*

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