DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 12: "SPECIAL ACCOUNTS, FUNDS AND PROGRAMS"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 12, CHAPTER 1: "FUNDS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated February 2006 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0102	Updated reference from United States Standard General Ledger (USSGL) Treasury Financial Manual, Section III to USSGL Standard Financial Information Structure (SFIS) Transaction Library.	Update

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CHAPTER 1

FUNDS

0101 OVERVIEW

010101. Purpose

This chapter describes receipt, appropriation, and other fund account symbols relating to the financial operations and accounting transactions of the Department of Defense (DoD). The Department of the Treasury assigns account symbols consistent with the principles and standards prescribed by the Comptroller General of the United States. Account symbols are not the same as the United States Standard General Ledger (USSGL) accounts as prescribed in Volume 1, Chapter 7.

010102. General

This chapter includes a broad description of account symbols and their operation within fund groups. Account symbols are the basis for reporting DoD financial transactions. The Department of the Treasury, Financial Management Service (FMS), classifies receipt or expenditure account symbols and assigns them to a fund group based on their characteristics and the nature of the transactions they support. FMS assigns account symbols to agencies after considering the government's relationship to the accounts, the sources of the receipts, and the availability of the funds for expenditure. Receipt account symbols are arranged by general, special, and trust fund groups. Expenditure account symbols (appropriations) are arranged by general, revolving, special, deposit, and trust fund groups. The ***Treasury Financial Manual (TFM)***, Supplement to Volume I, ***Federal Account Symbols and Titles (FAST) Book*** describes the various categories of Federal Government fund account symbols.

010103. Fund Groups

All accounts are identified by fund groups through assignment of numeric and/or alphanumeric account symbols. The symbol assigned to an account is determined after consideration of the governmental effect of the account and the source of the receipt, and the availability of the fund for expenditure. Some of these accounts have a significant impact on DoD operations. The ***FAST Book*** contains all of the fund groups, account symbols, and titles. Table 1-1 lists the fund groups and the range of federal fund account symbols.

Table 1-1. Fund Groups and Symbols

Fund Group	Symbols
General Funds	0000-3899
Clearing Accounts	3500/3800
Management Funds	3900-3999
Revolving Funds	4000-4999
Special Funds	5000-5999
Deposit Funds	6000-6999
Trust Funds	8000-8999

010104. Additions and Deletions

The Defense Finance and Accounting Service (DFAS) obtains new fund account symbols from the Department of the Treasury but the Office of the Under Secretary of Defense (Comptroller) Program and Financial Control Directorate must approve new fund account symbols used in the *Report on Budget Execution and Budgetary Resources* (Standard Form (SF) 133).

*0102 ACCOUNTING STANDARDS

The accounting principles and standards prescribed in this Regulation apply to the proprietary and budgetary accounts, and to those reports required for the various fund types discussed in this chapter. Overall financial reporting policy and procedures are prescribed in Volume 6A. Accounting transactions for the USSGL accounts are specified in the ***USSGL Standard Financial Information Structure (SFIS)*** Transaction Library. Managers of funds that have budgetary resources available shall use the budgetary fund account symbols and budget execution reports shall be submitted as prescribed in this Regulation.

0103 GENERAL FUNDS

010301. General Fund Receipt Accounts (0000-3399)

General fund receipt accounts have been established to account for receipts of the Federal Government that have not been earmarked by law for a specific purpose and are preceded by an "R". General fund miscellaneous receipt accounts are categorized by major classes and account groups. For example, an unknown collection at a Defense Agency would be credited to *General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified*, with the accounting citation 97R3210. For internal control purposes, none of the receipts credited to these accounts are available for obligation and expenditure. Therefore, general fund receipt account collections do not affect budgetary resources. General fund receipt account collections do provide resources to the Congress to fund appropriations. However, a congressional appropriation action requires a separate accounting process.

A. Unless there is specific statutory authority that authorizes a reimbursement to an appropriation account or fund (including special funds), all collections shall be credited to the appropriate general fund receipt account. However, obligations incurred that result in, or as a result of a general fund receipt account collection or receivable shall be recorded in the budgetary accounts of a direct appropriation or fund. Such obligations may be recorded as reimbursable obligations only when authorized to be reimbursed independent of the general fund receipt collection.

B. Accounts receivable for the general fund receipt accounts shall be recorded whenever an event results in the determination that money is owed to the U.S. Government. General fund receipt account receivables may be recorded at a summary level. Examples include:

1. A receivable shall be recorded for general fund receipt account 2651, *Sale of Scrap and Salvage Materials, Defense*, based upon the recording of an issue or the transfer of ownership of scrap or salvage material to a buyer. (Normally, a cash payment is required.)

2. A receivable shall be recorded for general fund receipt account 3019, Recoveries for Government Property Lost or Damaged, Not Otherwise Classified, Army, Navy, Air Force, based upon the receipt of an approved **DoD *(DD) Form 200, Financial Liability Investigation of Property Loss***.

3. The accounting for receivables and collection of those receivables in general fund receipt accounts are described in Volume 4, Chapter 3.

010302. General Fund Expenditure Accounts (0000-3899)

General Fund accounts record amounts appropriated by Congress for the general support of the government. Appropriations are statutory authorities to incur obligations and make payments from the U. S. Treasury for specified purposes. When a law appropriates budget authority, it specifies the period of availability. The period of availability is the amount of time the entity may create new obligations. This is called the period of availability for new obligation of the budget authority, and the period is normally specified in the law providing the budget authority.

A. Annual Appropriations (Annual Budget Authority). An annual appropriation has a period of availability for one fiscal year. An example of an annual appropriation is Operation and Maintenance, Army, 21X2020.

B. Multiple-Year Appropriations (Multi-Year Budget Authority). A multi-year appropriation has a period of availability for two or more fiscal years. An example of a multi-year appropriation is Other Procurement, Navy, 17X1810.

C. No-Year Appropriations (No-Year Budget Authority). A no-year appropriation has an indefinite period of availability because the appropriation is available until all funds are expended or the appropriation is no longer needed. An example of a no-year appropriation is Environmental Restoration, Navy, 57X0810.

0104 CLEARING ACCOUNTS (3500/3800)

Clearing accounts temporarily hold unidentifiable general, revolving, special, or trust fund collections that belong to the Federal Government. An "F" preceding the last 4 digits of the fund account symbol identifies these accounts. These clearing accounts are to be used only when there is a reasonable basis or evidence that the collections or disbursements belong to the U.S. Government and therefore properly affect the budgetary resources of the DoD activity. None of the collections recorded in clearing fund accounts are available for obligation or expenditure while in a clearing account.

010401. Budget Clearing Account

Budget Clearing Account (suspense), F3875, temporarily credits unclassified transactions from the public when there is a reasonable presumption that the amounts belong to the agency. Therefore, unlike deposit accounts, clearing accounts immediately affect the budget.

010402. Undistributed Intragovernmental Payments Account

Undistributed Intragovernmental Payments, account F3885, is used to temporarily credit unclassified transactions between Federal agencies, including Intragovernmental Payment and Collection transactions.

010403. Temporary Account Requirement

Since account F3875 and F3885 are temporary in nature, DoD Components must expeditiously transfer all monies to the proper account in order to minimize the balance. Use of these suspense accounts are valid if approved by the Department of Treasury provided the suspense account transactions are reclassified to the correct line of accounting and properly reported in the accounting system within 60 days.

0105 MANAGEMENT FUND ACCOUNTS (3900-3999)

Management fund accounts are working fund accounts authorized by law to facilitate accounting for administration of intragovernmental activities other than a continuing cycle of operations. Such accounts generally do not own a significant amount of assets nor do they have a specified amount of capital provided (a corpus of the fund). A management fund provides a means of interim financing and accounting for: (1) an operation or project that is financed by more than one appropriation or fund and whose costs cannot be distributed and charged to the financing appropriations or funds immediately, or (2) an operation or project that is established pursuant to a transfer of functions involving two or more appropriations or funds under authority of law. An example of a management fund is the Air Force Management Fund, 57X3960.

010501. Policy

A. A management fund shall be used only to finance the costs of operations which are chargeable to appropriations or funds of a DoD Component. Projects may encompass participation by organizational units of one DoD Component or of two or more DoD Components.

B. A management fund may not be used to finance any activity that involves a continuing cycle of business-type operations, such as industrial or commercial-type activities, or to purchase materiel for stock. It may be used to finance the purchase of materiel for use in an operation or project operated under a management fund.

C. A management fund may not be used to finance a new operation or project, although eligible under section 0105, if other effective and efficient financing techniques are available. In general, appropriation reimbursements shall be used. However, industrial funds shall be used to finance industrial or commercial-type activities, and stock funds shall be used to finance the acquisition of consumable (expense-type) materiel for stock.

D. Management fund accounts shall be subject to periodic internal audits.

010502. Responsibilities

A. The OUSD(C) Deputy Chief Financial Officer (DCFO) shall:

1. Ensure that a management fund account is established or continued only when there is no other effective and efficient financing technique available to accomplish the proposed operation or project. The OUSD(C) DCFO will receive, review, evaluate and approve proposed management fund account charters submitted in accordance with Figures 1-1 and 1-2.

2. Review and evaluate proposed management fund account charters or amendments and recommend to the Under Secretary of Defense (Comptroller) (USD(C)) the establishment or continuance of a management fund account.

B. The Heads of DoD Components shall:

1. Propose use of a management fund as a financing technique, when considered appropriate, in accordance with the provisions of this chapter.

2. Oversee compliance with this chapter regarding the provision for budgeting, financing, accounting, and reporting for management fund accounts in use by their Component.

0106 REVOLVING FUNDS (4000-4999)

Revolving funds are established to finance a continuing cycle of business-type operations. Revolving fund accounts are authorized to be credited with receipts, incur obligations, and make expenditures. Revolving fund collections are normally available for obligation and expenditure without further action by the Congress. However, DoD revolving funds (except for some business areas within the Defense Working Capital Fund) are subject to apportionment by the Office of Management and Budget (OMB). Apportionment by the OMB precludes obligation or expenditure of funds in excess of the apportioned balance during a fiscal period. The following concepts normally apply to revolving funds:

010601. General

There are two types of revolving funds. Public enterprise revolving funds are distinguished from intragovernmental revolving funds by the source of revenues. Public enterprise revolving fund revenues come primarily from outside the Federal Government. Intragovernmental revolving fund revenues come primarily from other federal appropriations or funds.

A. Appropriations and/or reappropriations are usually provided to start, increase the size, or replace significant losses of a revolving fund. Also, existing resources in other accounts may be transferred to a revolving fund as capitalized assets to serve the same purposes in lieu of an appropriation. The resources used to commence or increase the size of a revolving fund commonly are referred to as "the corpus of the revolving fund." The corpus forms the nucleus of resources used to acquire the resources needed to perform the mission of the revolving fund.

B. Revenues are generated in DoD revolving funds from reimbursable actions on behalf of authorized beneficiaries. Those revenues result in collections of funds. The funds collected are used to pay for the acquisition of resources needed to operate the revolving fund. In revolving funds that are apportioned by the OMB, the use of the budgetary resources associated with those collections to incur obligations is limited to the amount of obligation authority available for the fiscal period.

C. Revolving funds subject to apportionment are apportioned on an obligation basis. An *Apportionment and Reapportionment Schedule* (SF 132), must be submitted to the OMB for approval of the amount of obligational authority needed for the operation of the revolving fund for a fiscal period. A fiscal period may be a quarter of a fiscal year or a full fiscal year.

D. Budgetary resources available for apportionment action include:

1. New budget authority (appropriations).

2. Available unobligated balances at the beginning of the fiscal period.

3. Reimbursements and other income (also known as offsetting collections credited to the appropriation or fund account).

4. Recoveries of prior year obligations.

5. Restorations.

6. Contract authority.

E. The apportionment of anticipated reimbursements as obligational authority in no way authorizes a revolving fund to obligate in excess of the contract authority, borrowing authority, or reimbursable orders received from within the Federal Government and advances received for orders outside the Federal Government. Orders from state, local, and foreign governments are considered to be orders from the public.

F. In the case of loan programs, budgetary resources available for obligation from loan repayments and interest on loans are comprised of actual collections when authorized to be used. Loan repayments in the form of loans receivable and interest receivable are amounts due but not collected. These amounts are not available for obligation until collected.

G. Other assets, whether of a working capital nature such as inventories of stock or of a fixed asset nature, are not considered as a budgetary resource. Such assets, therefore, do not enter into the determination of unobligated balances. However, claims against budgetary resources, such as delivered and undelivered orders, are obligations of a revolving fund and must be subtracted from unobligated balances when incurred. Obligations for the procurement of inventories, as well as for the acquisition of other revolving fund assets, must be recognized, recorded, and reported along with other obligations.

H. Some revolving funds, particularly public enterprise funds, have budget authority exclusively for the fund that is technically outside the fund as long as it remains "undrawn." This concept may apply to the authority to borrow from the public, authority to borrow from the Department of the Treasury, and sometimes contract authority.

I. The amount of obligational authority apportioned or the available balance of obligational authority may be less than the total budgetary resources available in a revolving fund. The difference, which cannot be obligated unless it is apportioned, may be characterized as either an unapportioned balance of a revolving fund or a restrictive withholding. The concept of an unapportioned balance is one of preserving a portion of the fund's capital so it may continue to revolve.

J. Incurring obligations or authorizing the incurrence of obligations in excess of apportioned budgetary resources shall be reported as an apparent violation of the administrative control of funds provisions contained in Volume 14. This reporting requirement applies whether or not a revolving fund has unapportioned budgetary resources or nonbudgetary assets greater than the amount of the deficiency.

K. Each revolving fund is required to submit a separate set of reports to the Department of the Treasury as described in Volume 6A. Therefore, the data required for each revolving fund to prepare these reports shall be identified within the DoD Component's accounting system.

010602. DoD Public Enterprise Revolving Funds (4000-4499)

Public Enterprise revolving funds include but are not limited to the Special Defense Acquisition Fund and the Homeowners Assistance Fund.

A. The Special Defense Acquisition Fund was funded by the use of a limited amount of certain foreign military sales collections as authorized by Congress. The fund was used to acquire items needed in anticipation of sales to foreign governments. The proceeds from the sales of the fund were used to acquire items in anticipation of future sales. Budgetary resources provided from sales to customers were not available for use until collections occurred and OMB approved apportionment of funds by category of item. The apportionment of funds by the OMB provided control over the obligations for the acquisition of approved categories of items. The Special Defense Acquisition Fund has been assigned the symbol 11X4116 by the Department of the Treasury.

B. The Defense Homeowners Assistance Fund is funded by borrowing authority and appropriations. The fund is used to acquire homes under certain criteria when a DoD installation is closed. The fund acquires homes as assets and assumes the related liabilities. All properties acquired by the Homeowners Assistance Fund are managed and disposed of by the U.S. Army Corps of Engineers. At the time of sale of a property, revenues are recorded and gains and losses on the disposition of the asset are determined. Costs incurred related to a property shall be capitalized as an increase in the amount of the asset whenever value is added to the property. Under certain conditions, losses incurred on private sales of qualified property may be reimbursed as operating expenses of the fund. Certain other operating expenses may be authorized. The budgetary resources provided from sales or lease of property are only available for obligation after collection and when apportioned by the OMB. The Defense Homeowners Assistance Fund has been assigned the fund account symbol 97X4090 by the ***Department of the Treasury***.

010603. Intergovernmental Revolving Funds (4500-4999)

DoD intergovernmental revolving funds include the Defense Working Capital Fund, the Pentagon Reservation Maintenance Fund, and the Army Conventional Ammunition Working Capital Fund, etc.

A. The Defense Working Capital Fund has been established to fund the operation of certain support functions within DoD. This fund was formed from five previously existing industrial funds, four previously existing stock funds, and selected Defense Agency support functions that were previously funded through direct appropriations. The Defense Working Capital Fund provides support functions such as inventory, maintenance, communications, depot maintenance, military airlift, and sealift. Services are provided on a

reimbursable basis to authorized customers. The Defense Working Capital Fund has been assigned the fund account symbol 97X4930 by the Department of Treasury.

B. The Pentagon Reservation Maintenance Fund was established by the Fiscal Year 1991 National Defense Authorization Act and is codified in section 2674 of title 10, United States Code. The Pentagon Reservation Maintenance Fund finances the activities of the Washington Headquarters Services, the Pentagon Force Protection Agency, and the Raven Rock Mountain Complex. The fund provides space, building services, and force protection for the DoD Components, including Military Departments and other activities housed within the Pentagon Reservation. The Pentagon Reservation Maintenance Fund has been assigned the fund account symbol 97X4950 by the Department of Treasury.

C. The Army Conventional Ammunition Working Capital Fund was chartered to finance the loading, assembly, and packing operations for the manufacturing of conventional ammunition for DoD. This revolving fund was not provided with a corpus but instead performs work with funds from advances received associated with customer orders for ammunition. Apportioned budgetary resources for the fund include reimbursements from customers, unobligated balances brought forward, and recoveries of prior year obligations. Budgetary resources associated with customer orders received are available for obligation within the apportioned amount during a fiscal period. The Army Conventional Ammunition Working Capital Fund has been assigned the fund account symbol 21X4528 by the Department of the Treasury.

0107 SPECIAL FUNDS (5000-5999)

010701. Special Fund Receipt Accounts

The Department credits special fund receipt accounts with receipts from specific sources earmarked by law for specific purposes. At the point of collection, these receipts either are available immediately or unavailable for expenditures depending upon statutory requirements.

010702. Special Fund Expenditure Accounts

Special fund expenditure accounts are established to record amounts appropriated or otherwise made available by transfers from a special fund receipt account to be obligated and expended for special programs in accordance with specific provisions of law. The accounting for special fund expenditure accounts shall be in accordance with the provisions of this Regulation. However, each special fund must be viewed as a unique fund in light of any special provisions in the enabling legislation. An example of a DoD special fund account is the Wildlife Conservation, fund account symbol X5095.

0108 DEPOSIT FUNDS (6000-6999)

These are fund accounts established to account for collections that are either held temporarily and later refunded or paid upon administrative or legal determination as to the proper disposition thereof, or held by the government as banker or agent for others and paid out at the

direction of the depositor. Deposit funds are liabilities of the Federal Government. The fund accounts are not included in the budget totals because the amounts are not available for government purposes. Deposit funds are not available for the incurrence of any Federal Government obligations or payment of any Federal Government obligations. Various types of deposit funds include:

010801. Monies Withheld

Monies withheld by the government from payments for goods and services received. This type of transaction may be treated as a deposit fund liability only when a budgetary account has been charged and the funds are being held by the government pending payment; for example, payroll deductions for savings bonds or state and local income taxes.

010802. Deposits from Outside Sources

Deposits received from outside sources for which the U.S. Government is acting solely as a banker, fiscal agent, or custodian.

010803. Monies Awaiting Distribution

Monies held by the U.S. Government awaiting distribution on the basis of a legal determination or investigation. This category includes monies in dispute (between the Government and outside parties) when ownership is in doubt and there is no present basis for estimating ultimate distribution.

010804. Unidentified Remittances

Unidentified remittances shall be credited as suspense items outside the budget (such as fund account X6434) unless there is a reasonable presumption that they will be credited ultimately to a receipt, appropriation (expenditure), or other fund account within the budget, in which case amounts shall be credited to the receipt clearing fund accounts.

0109 TRUST FUNDS (8000-8999)

010901. Trust Fund Receipt Accounts

The Department credits trust fund receipt accounts with receipts generated by the terms of a trust agreement or statute that designates a fund as a trust fund. At the point of collection, these receipts either are available immediately or unavailable for expenditure depending upon statutory requirements. Accounting for trust funds shall be in accordance with the provisions of this Regulation. However, each trust fund must be viewed as a unique fund in light of any special provisions in the trust agreement or the enabling legislation. Because of the unique nature and magnitude of impact of the deposits, advances, and Foreign Military Sales related to the Executive trust fund, special accounting requirements have been established in Volume 15.

010902. Trust Fund Expenditure Accounts

Trust fund expenditure accounts are established to record amounts appropriated or otherwise made available by transfer from a trust fund receipt account to be obligated and expended in carrying out the specific purposes or programs in accordance with the terms of the trust agreement or statute. Funds transferred or appropriated to a trust fund expenditure account are normally available for obligation and expenditure within the limits imposed by the trust agreement or authorizing statute.

010903. Trust Revolving Funds (8400-8499)

A trust revolving fund is a single account that is authorized to be credited with receipts and incur obligations and expenditures in support of a continuing cycle of business-type operations in accordance with the provisions of the trust agreement or statute. Trust revolving fund receipts are available for obligation and expenditure without further action by the Congress. In general, DoD trust funds authorized to incur obligations and expend receipts have been exempted from apportionment by the OMB. However, the Defense Commissary Agency Surcharge Collections, Sales of Commissary Stores trust revolving fund is subject to apportionment by the OMB. Accounting for trust fund expenditure accounts and trust revolving funds shall be in accordance with the provisions of this Regulation. However, each trust fund must be viewed as a unique fund in light of any special provisions in the trust agreement or the enabling legislation.

0110 AVAILABLE RECEIPTS

Available receipts are special or trust fund receipts that, pursuant to law, are available as appropriations to a single agency for expenditure without further congressional action. However, in some fund accounts, use is restricted to investment only or is precluded by a limitation or benefit formula. An available receipt account carries the same symbolization as its corresponding expenditure account in that an “X” is inserted to indicate the period of availability of such funds for obligation. However, in special circumstances, available receipts that are earmarked for current year obligations and expenditures initially are placed in an unavailable receipt account until FMS prepares a warrant to move the funds to a current fiscal year expenditure account.

0111 UNAVAILABLE RECEIPTS

These are receipts that, at the time of collection, are not appropriated and not immediately available for expenditure. Unavailable receipts held in special and trust fund receipt accounts are unavailable for expenditure until appropriated pursuant to specific legislative provisions. Unavailable receipts sometimes are invested. In these circumstances, Department of the Treasury would designate the fund as “available.”

0112 TRANSFER APPROPRIATION ACCOUNTS

FMS establishes transfer appropriation accounts to receive (and subsequently obligate and disburse) allocations treated as nonexpenditure transactions. These accounts carry symbols identified with the original appropriation from which monies were advanced. A transfer appropriation account is symbolized by adding the receiving agency's department prefix to the original appropriation or fund account symbol. A bureau suffix identifies that the transfer is to a particular bureau within the receiving department. For example, 17-97 06 0100 represents a transfer of funds that was initially appropriated to Defense Agencies (97) and was transferred to the Department of the Navy (17) for execution purposes.

Figure 1-1. Management Fund Procedures

1. APPROVAL OF CHARTERS AND MANAGEMENT FUND ACCOUNTS

A separate administrative account, called a management fund account, shall be established for each operation or project that is to be financed by a management fund. This account shall be established only with the approval of the Under Secretary of Defense (Comptroller) (USD(C)). As a basis for approval of a management fund account, a proposed charter and explanation of the reasons for the use of the management fund as the means of financing the operation or project shall be submitted to the USD(C) via the Deputy Chief Financial Officer (DCFO).

1.1. The proposed charter shall be prepared in the uniform format prescribed in Figure 1-2. If a Military Department is to be responsible for administration of the account, the proposed charter shall be submitted under the signature of either the Secretary, Under Secretary, or an Assistant Secretary of the Military Department. A proposed charter submitted by a Defense Agency shall be signed by the Director or Deputy Director of the Agency concerned. When appropriations or funds of more than one DoD Component are to share in the financing of a proposed account, the concurrence of each DoD Component involved shall be evidenced by the signature of the Component comptroller or an equivalent official.

1.2. The scope of operations of a management fund account, as prescribed in the charter, shall not be exceeded. However, the basic provisions of a charter may be changed by submitting a proposed charter amendment in the same manner as an original charter application.

1.3. The USD(C) shall evidence approval of a charter or an amendment by signing the charter and returning a copy to the applicable DoD Component as its authority to commence operations subject to availability of funds. The original shall be retained in the official files of the USD(C).

2. DISCONTINUANCE OF A MANAGEMENT FUND ACCOUNT

When a management fund account is to be discontinued, the managing DoD Component shall submit a termination notice to the USD(C) stating the reason for discontinuing the account and the estimated date of final liquidation.

3. BUDGETING, FINANCING, ACCOUNTING, AND REPORTING

3.1. Budgets and Financial Plans

3.1.1. Annual budget estimates shall be prepared for each management fund in accordance with Volume 2B.

Figure 1-1. Management Fund Procedures (continued)

3.1.2. An operating budget or financial plan shall be prepared annually and updated quarterly by the managing DoD Component for each management fund account in a format appropriate for management planning and control purposes. A copy of the operating budget or financial plan for an operation or project shall be submitted with the request for approval of an account charter. When required for purposes of obtaining advances or for guidance in estimating appropriation or fund requirements, copies of operating budgets or financial plans also shall be furnished to participating DoD Components or their organizational subdivisions.

3.2. Financing and Administrative Control of Funds

3.2.1. Obligational authority for the conduct of operations under a management fund account is provided by reimbursable orders, either with or without advances, whichever may be appropriate. The reimbursable orders may be issued in periodic increments to lessen the administrative workload and they shall specify the accounting classifications to be used for billing purposes.

3.2.2. The management fund shall be controlled administratively in accordance with Volume 14, *Administrative Control of Funds and Antideficiency Act Violations*. No obligation may be incurred against a management fund that is not chargeable to a specific order and the appropriation or fund supporting that order.

3.3. Billing and Payment

3.3.1. Management fund outlays shall be charged to appropriations or funds as prescribed in the account charter and specified in the reimbursable order.

3.3.2. Billing and payment shall be accomplished by SF 1081, *Voucher and Schedule of Withdrawals and Credits*. In the case of financing by means of advances, the advances shall be accomplished by SF 1081 prepared and processed as of the beginning of the period covered by the advance. In all cases, however, the DoD Component responsible for the management fund account shall submit monthly bills to participating organizations to permit them to charge appropriate accounts and record the reduction in the advance accounts, as well as to permit the managing DoD Component to adjust its own accounts.

3.4. Accounting and Reporting. Financial transactions shall be classified under each management fund account in enough detail to meet management planning and control requirements. The principles, standards, and requirements in this Regulation shall apply to the accounting and reporting systems, including the recording and reporting of the source, application, and status of funds. Additional financial reporting that may be needed by participating organizations for management purposes shall be specified by the DCFO and the Heads of the DoD Components.

Figure 1-2. Uniform Format for Management Fund Account Charters

1. IDENTIFICATION OF MANAGEMENT FUND ACCOUNT

The proposed charter shall be numbered serially within each Military Department or the Office of the Secretary of Defense, and the management fund account shall be identified by a brief but descriptive title. Serial numbers shall be reserved for existing management fund accounts; thus, if a Military Department has three active management fund accounts, the next proposed charter will be No. 4. A reference also shall be made to this chapter as authority for the management fund account.

2. PURPOSE

A brief but complete description of the operation or project to be financed by the management fund shall be included in this section.

3. PARTICIPATING ORGANIZATIONS

The organizational units within the managing Military Department or Defense Agency and the organizations in the other Military Departments or Defense Agencies that will participate in the operation or project shall be identified in this section.

4. ADMINISTRATION

The following information shall be included in this section:

4.1. The name and location of the organization or office that will be responsible for management and direction of the operation or project.

4.2. The location of the accounting and other administrative records.

4.3. The location of the principal place of business, if different from paragraphs 4.1., and 4.2.

4.4. Special provisions concerning administrative and logistic support.

5. BUDGETING, FINANCING, ACCOUNTING, AND REPORTING

The following information shall be included in this section:

5.1. Arrangements for the preparation and submission of operating budgets or financial plans.

Figure 1-2. Uniform Format for Management Fund Account Charters (continued)

5.2. Provisions for financing, that is, by reimbursement with or without advances; provisions for determining and allocating costs when appropriate; and provisions for the return of unexpended balances of advances.

5.3. The management fund title and symbol.

5.4. A brief description of the system of accounts and of the system of internal control, including administrative control over funds.

5.5. The nature of the expenses chargeable to the operation or project.

5.6. Reporting policies and procedures.

6. TERM AND DURATION OF THE ACCOUNT

This section shall specify the commencement date and the termination date of the operation or project or, for an operation or project of indefinite duration, the conditions under which the operation or project will terminate.

REQUESTED:

_____
(Signature of appropriate official
of the managing DoD Component)

CONCURRED

_____
(Signature of appropriate official
of a participating DoD Component)

_____
(Signature of appropriate official
of a participating DoD Component)

APPROVED:

_____
(Date)

_____
Under Secretary of Defense
(Comptroller)

VOLUME 12, CHAPTER 3 "CONTRIBUTIONS FOR DEFENSE PROGRAMS, PROJECTS, AND ACTIVITIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated June 2007 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0304	Remove ACCOUNTING FOR CONTRIBUTIONS and renumber subsequent paragraphs. Accounting entries for contributions are specified in the United States Standard General Ledger Transaction Library located at http://www.bta.mil/SFIS/SFIS_resources.html.	Mandatory

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*CHAPTER 3

CONTRIBUTIONS FOR DEFENSE PROGRAMS, PROJECTS, AND ACTIVITIES

0301 INTRODUCTION

030101. Purpose

This Chapter prescribes the overall policy and assigns responsibilities for the acceptance, receipt, use, and reporting of money, real or personal property, or services to the Department of Defense (DoD) under Title 10, United States Code, section 2608.

030102. Defense Cooperation Account

A special account is established in the Treasury of the United States for receipt of monetary contributions and proceeds from the sale of real or personal property contributions accepted by the Secretary of Defense, or designee under Title 10, United States Code, section 2608.

0302 AUTHORITY

030201. Secretary of Defense

Title 10, United States Code, section 2608 provides authority for the Secretary of Defense (SECDEF) to accept, for use by the Department, from any business (or person), foreign government, or international organization, any contribution of money or real or personal property and may accept from any foreign government or international organization any contribution of services.

030202. Under Secretary of Defense (Comptroller) (USD(C))

Authority to accept such contributions has been delegated to the USD(C), who also serves as the single point of contact in the Department for the Departments of State and the Treasury with respect to all matters involving the receipt, administration and distribution of contributions of funds from foreign countries for defense programs.

030203. Military Departments and Defense Agencies

The Secretaries of the Military Departments and the Directors of the Defense Agencies, have authority to accept from any business (person), or international organization, any contribution of real or personal property for use by their organizations.

030204. Washington Headquarters Services

Given Washington Headquarter Services' responsibility for the management of property and physical assets at the Pentagon and to maintain consistency in property accountability the

Director of the Washington Headquarter Services has authority to accept contributions of personal property offered to the Office of the Secretary of Defense for use at the Pentagon.

030205. Delegation of Authority

The USD(C) may provide additional delegations of authority to accept contributions of real and personal property or services on a case by case basis.

0303 POLICY ON CONTRIBUTIONS

030301. Nonmonetary Contributions

These are contributions in the form of real property (fixed assets such as land, buildings, other structures, and facilities), tangible property (inventory or items held for sale, operating materials, supplies, and equipment) or services that would benefit the DoD if accepted. Once the DoD accepts these contributions, the intent of the accounting standards (Statements of Federal Financial Accounting Standards (SFFAS)) is that the benefiting DoD organization should recognize the contribution in its financial statements. See Volume 4, chapters 4 and 6, and Volume 6B, for accounting and reporting guidance.

A. The receiving DoD organization recognizes a change in inventory, stock, or plant, property, and equipment (PP&E) related records once transfer of the goods or services is made thus making DoD the legal owner of said goods or services. An organization receiving donated general PP&E determines its fair value at the time it was acquired by the government. Donations of assets or services must be reported quarterly to the Defense Finance and Accounting Service (DFAS), Indianapolis, 8899 East 56th Street ATTN: Trust Fund Accounting Division, Column 203L, Indianapolis, Indiana 46249-1500 (see paragraph 030501).

B. The receiving organization must document and retain on file the details of each nonmonetary contribution received. For audit purposes, the supporting documentation must be retained for the life of the asset, but no less than 6 years and 3 months. Each file must include:

1. A description of the contribution.

2. The estimated value of the contribution, including the valuation method used (see subparagraph 030301.C, below).

3. The name and address of the donor(s).

4. A list of restrictions, conditions, or other information set out by the donor.

5. The acquisition date.

6. The useful expected life of the donation.

7. A statement explaining the benefits of accepting the donation. You must explain why accepting the donation is preferred to obtaining the item or service through existing DoD supply channels.

8. A unique identifier or data element used to track the same or similar items shipped from different sources.

9. The Service and appropriation that benefit from this contribution. Identify the appropriation that normally furnishes this asset.

030302. Monetary Contributions

The USD(C) retains the authority to accept all monetary contributions. Monetary contributions are not generally accepted with restrictions, i.e., with designations for specific programs or purposes.

A. Contributions in Cash

1. Cash contributions, including proceeds from the sale of any contributed property, shall be deposited to the Defense Cooperation Account (DCA) as soon as practical, but not later than the last day of the month.

2. Consistent with sound cash management practices, any cash accepted, under USD(C) authority, shall be either converted into a check and forwarded to the DFAS using overnight delivery service, or deposited into a Treasury General Account with funds transferred to the DCA via electronic funds transfer--whichever process results in the earliest deposit of funds into the DCA.

3. Any funds forwarded by electronic funds transfer shall be deposited within 24 hours into the DCA under ALC 9720010 and Account Number 97X5187.1. Additionally, the DFAS Trust Fund Accounting Division shall be notified prior to forwarding any funds electronically.

4. Documentation associated with cash contributions, including copies of deposit tickets, and the original of correspondence from contributors shall be forwarded within 24 hours of the deposit using overnight delivery service, to the DFAS Trust Fund Accounting Division.

B. Contributions by Check

1. Checks received by DoD officials shall be made payable to the "United States Treasury." The reference line on the check should indicate the "Defense Cooperation Account."

2. Checks received by DoD officials shall be forwarded to the DFAS Trust Fund Accounting Division. The DFAS shall deposit such funds within 24 hours of receipt into the DCA under ALC 9720010 and Account Number 97X5187.1.

3. Documentation associated with check contributions, including the original of any correspondence from contributors shall be forwarded with the check.

C. Contributions by Wire Transfer

1. Contributions by wire transfer eliminate delays in receiving deposits and provide the most efficient preliminary accounting information for investment purposes.

2. After approval by the USD(C), donors may make contributions to the DCA via electronic funds transfer from commercial banks to "Account Number 1" in the Federal Reserve Bank of New York (as Fiscal Agent of the United States). The Federal Reserve Bank of New York shall credit the Department accordingly, using the format in Figure 3-1.

3. Documentation associated with wire transfer contributions, including the original of any correspondence from contributors shall be forwarded within 24 hours of the deposit using overnight delivery service, to the DFAS Trust Fund Accounting Division.

D. Contributions in Foreign Currencies (Cash or Check). Upon notice of a planned large contribution ($1 million or more) to be made in foreign currency the cognizant DoD official shall:

1. Request the donor provide as much lead time as possible regarding the amount of the contribution and the estimated date the contribution will be made.

2. Advise the USD(C) and the DFAS Trust Fund Accounting Division of any planned contributions and continue to keep that office advised of the status until the currency transfer is made by the donor.

3. Upon approval by the USD(C), request the donor credit the foreign currency contribution to the Federal Reserve Bank of New York "Account Number 1" via the donor's central bank. If the Federal Reserve Bank does not maintain an account with a particular donor, the DoD official should seek guidance from the DFAS Trust Fund Accounting Division, for appropriate alternative arrangements.

4. Foreign checks received by DoD officials shall be converted to a check denominated in U.S. dollars prior to being forwarded to the DFAS or transferred electronically into the DCA.

5. Cash and checks received by DoD officials in countries not served by a DoD disbursing officer shall, upon approval by the USD(C), be delivered to the nearest U.S. Embassy within 24 hours of receipt for deposit in the DCA, under ALC 97200010 and Account Number 97X5187.1.

030303. Policy On Acceptance Of Contributions.

A. Authorities that may accept contributions shall use sensitivity and scrutiny when contributions are offered from prohibited sources and, if there is a question on propriety, shall consult with their Ethics Counselor to determine whether accepting a contribution would violate any prohibition, or reflect unfavorably on the Department. "Prohibited source" and "Ethics Counselor" shall have the meanings set forth in DoD 5500.7-R, the Joint Ethics Regulation.

B. Authorities that may accept contributions may pay all necessary expenses in connection with the conveyance or transfer of a contribution. Contributions should not be accepted if it would result in substantial expenditures or administrative efforts and maintenance that are disproportionate to any benefit.

C. Department personnel shall not solicit, fundraise for, or otherwise request or encourage the offer of a contribution.

D. Authorities that may accept contributions may acknowledge offers of future contributions and advise the donors that acceptance will occur after actual presentation of the contributions only when they determine that such acceptance will likely occur.

*****030**4** REPORTING ON CONTRIBUTIONS

030**4**01. Reporting Requirements

Not later than 10 days after the end of each quarter, each DoD official that has accepted and received a nonmonetary contribution shall submit a report to the DFAS Trust Fund Accounting Division that identifies the following:

A. Nonmonetary Contributions Received

1. A description of each item received.

2. The value of each item received, including the valuation method used.

3. The name of the contributor for each item received.

4. The date each item was received.

5. Details of any restrictions, conditions or other relevant information regarding each contribution.

6. Expected useful life of the contribution.

7. If two more like items are received from different sources the items are to be accounted for separately to permit identification of items received.

B. Nonmonetary Contributions Sold

1. A description of each item sold.

2. The proceeds of each item sold. Also include in report the disposition of the funds received. Funds should be forwarded or deposited with DFAS and credited in the DCA consistent with 10 U.S.C. 2608(b)(2).

3. The name of the contributor for each item sold.

4. The date each item was sold.

5. The name of the purchaser for each item sold.

6. If two or more like items are received from different sources the items are to be accounted for separately to permit identification of items when sold.

7. Details of any other relevant information regarding each item sold.

C. Monetary Contributions Received

1. The dollar amount of each contribution.

2. Name of the donor for each contribution received.

3. The date each item was received.

030402. Defense Finance and Accounting Services Reporting Requirement

Not later than 15 days after the end of each quarter, the DFAS shall prepare and forward to the USD(C) a report to be submitted to the Congress that provides the following information.

A. Summary values of monetary and nonmonetary contributions accepted during the quarter.

B. A description of all property valued at more than $1 million. In determining whether the $1 million threshold has been met, the following procedures shall be used:

1. The value of similar items accepted during the quarter shall be added together.

2. The value of components which, if assembled, would comprise all or a substantial portion of an item or facility shall be added together.

0305 INVESTING CONTRIBUTIONS

030501. General

Consistent with good cash management practices, funds in the DCA shall be invested in Government securities until distribution is authorized. Generally, investments are limited to U.S. Treasury bills maturing in 90 days or less.

030502. Purchasing Government Securities

The DFAS shall follow the procedures below for purchasing Government securities.

A. Daily, after all contributions and other transactions have been entered into the DCA, generate a Pre-closing Trial Balance.

1. Verify the amount in account 1010, Fund Balance with Treasury, with the amount entered in the General Ledger for the same day.

2. Research and correct any differences between account 1010 and the General Ledger immediately.

B. A security investment can be purchased if account 1010 has a balance sufficient to purchase a $10,000 Treasury bill or a $1,000 U.S. Treasury note or bond. Information on prices, maturities, and yields of U.S. Treasury securities generally can be found in the financial section of major newspapers.

C. Select a U.S. Treasury security from those available.

D. Input the following information into the Treasury's FedInvest system or other appropriate system:

1. Account: Defense Cooperation Account

2. Transaction Type: Purchase

3. Transaction Date: (Date the security will be purchased)

4. Type of Security: (Specify)

5. Date of maturity: (Specify)

6. Amount: (Amount available in account 1010, Fund Balance with Treasury)

E. The day after the transaction, review the FedInvest system or other system as appropriate to obtain the face amount, discount or premium, interest purchase (if any), and the

price of the security purchased. Record the above information in the Trust Fund Accounting System (TFAS).

1. Complete the coordination section of the Memorandum for Purchase or Sale of Investments.

2. Complete the Purchases Input Worksheet and update the DCA system. Once this has been accomplished, a person other than the one making input must sign the Purchase Input Worksheet confirming that the DCA was updated for the Purchase.

F. Once the above has been accomplished, a person other than the individual making the input needs to review the data in the TFAS and the DCA to ensure that the systems have been properly updated.

030503. Selling Securities

The DFAS shall follow the procedures below to sell Government securities.

A. The Office of the Deputy Comptroller (Program/Budget) will determine the amount needed for payment or transfer. The Fund Manager, DFAS Trust Fund Accounting Division, normally shall sell securities to cover the amount needed if no securities mature on that day or contributions are not received. The decision as to which securities will be sold will depend on current economic conditions.

B. Select a security or securities for sale.

C. Input the following information into the Treasury's FedInvest system or other appropriate system:

1. Account: Defense Cooperation Account

2. Transaction Type: Sale

3. Transaction Date: (Date security will be sold)

4. Type of security: (Specify)

5. Interest Rate: (Enter applicable rate only if Notes or Bonds are sold)

6. Date of maturity: (Specify)

7. Amount: (Minimum amount of proceeds from the sale required to cover any projected negative amount in account 1010)

D. If needed, obtain the principal amount and interest earned from the FedInvest or other appropriate system.

E. Update the TFAS with DCA activity.

030504. Maturing Securities

The DFAS shall maintain a tracking system that identifies impending maturities and collections of securities for the DCA and ensure appropriate reinvestment action is taken upon maturity of a security.

030505. Payments or Transfers.

Payments or transfers from the DCA must be authorized by the Congress. The USD(C) will provide withdrawal notification to the DFAS which shall ensure appropriate action is taken.

030506. Annual Reviews.

The DFAS will conduct an annual review of the DCA operations and transactions, including the purchase and sale of investments. The objective of the review will include compliance with the DoD and the Treasury policies and procedures, and adequacy of internal controls.

FIGURE 3-1. – Sample Wire Transfer to the U.S. Treasury

SAMPLE FORMAT
WIRE TRANSFERS TO THE U.S. TREASURY

The sample format for wire transfers for credit to U.S. Treasury Defense Cooperation Account (remaining blocks to be filled by the sender or the sending bank, in accordance with the attached wire transfer instructions) is as follows:

```
I        I
   (1)        (2)
I 021030004  I        I
   (3)        (4)        (5)
I        I          I          I
                      (6)
I             /                    I
   (7)    (8)
I TREAS NYC I CTR I
       (9)                (10)
IBNF=/AC-97200010 I OBI=to the Defense Cooperation Account I
                      (10)
I(Acct. No. 97X5187.1) for Programs, Projects, and  I
                      (10)
I Activities from (name of donor)            I
```

FIGURE 3-1

Monetary Contributions by Wire Transfer Instructions

The following is a guide for completing the funds transfer form (Figure 3-1) which should be available at the sending financial institution.

1. RECEIVER DEPOSITARY FINANCIAL INSTITUTION (DFI) No. The Treasury Department's American Bankers Association (ABA) number for deposit messages is 021030004. This number shall be entered by the sending bank for all deposit messages sent to Treasury for credit to the Defense Cooperation Account.

2. TYPE-SUBTYPE CODE. The type and subtype code is provided by the sending bank.

3. SENDER DFI NO. This number is provided by the sending bank.

4. SENDER REFERENCE NO. The sixteen (16) character reference number is inserted by the sending bank at its option.

5. AMOUNT. The transfer amount shall be in U.S. dollars and must be punctuated with commas and a decimal point; use of the dollar sign is optional.

6. SENDER DFI NAME. This information is automatically inserted by the Federal Reserve Bank.

7. RECEIVER DFI NAME. The Treasury Department's name for deposit messages is "TREAS NYC." The name should be entered by the sending bank.

8. PRODUCT CODE. A product code of "CTR" for customer transfer should be the first data in the RECEIVER - TEXT field. Other values may be entered, if appropriate, using the ABA's options. A slash must be entered after the product code.

9. AGENCY LOCATION CODE (ALC). The agency location code is of critical importance and must appear in the precise manner stated to allow for automated processing and classification to the ALC of the Department of Defense. The sequence includes the beneficiary code tag (BNF) and indicator code (/AC) followed by the Defense Department's eight (8) digit ALC (97200010) for this account. The ALC identification sequence can, if necessary, begin on one line and end on the next line. However, the field beneficiary code tag (BNF) must be one line and cannot contain any spaces.

10. THIRD PARTY INFORMATION. The reason for the funds transfer should appear in this field. The originator-to-beneficiary information field tag (OBI=) is used to signify the beginning of free-form text. An example follows: BNF=/AC-97200010 OBI=to the DCA(97X5187) for defense programs, projects, and activities from (Name of Donor).

VOLUME 12, CHAPTER 4: "DIRECT LOANS AND LOAN GUARANTEES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated September 2013 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0401.A.,B.,C	Renamed and re-arranged paragraphs to align with revised FMR SOP issued June 15, 2015.	Revision
040202.M.	Removed hyperlink to OMB Circular A-129 as it was already cited previously, and reworded last sentence.	Deletion/ Revision
0406, 0407, 040804	Removed duplicative hyperlinks	Deletion
All	Designate this chapter certified as current.	Current Certification

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CHAPTER 4

DIRECT LOANS AND LOAN GUARANTEES

0401 GENERAL

040101. Overview

The policies set forth in this chapter apply to direct loan obligations and loan guarantee commitments. It implements the Statement of Federal Financial Accounting Standards (SFFAS) No. 2, ***Accounting for Direct Loans and Guarantees***, Statement of Federal Financial Accounting Standards (SFFAS) No. 2, Amendments to Accounting Standards for Direct Loans and Loan Guarantees, ***SFFAS No. 18***, and Technical Amendments to Accounting Standards for Direct Loans and Loan Guarantees in ***SFFAS No. 2***, SFFAS No. 19. Further information may also be found in the ***Federal Accounting Standards Advisory Board's Technical Release 6***, "Preparing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act," which contains guidance for audit estimates.

040102. Purpose

This chapter establishes the Department of Defense (DoD) policies for direct loans and loan guarantees for non-Federal borrowers. The policies for credit programs reflect the requirements of the ***Federal Credit Reform Act of 1990***, as amended. The major purposes of the Act are to: (a) measure more accurately the costs of Federal credit programs; (b) place the cost of credit programs on a budgetary basis equivalent to other Federal spending; (c) encourage the delivery of benefits in the form most appropriate to the needs of beneficiaries; and (d) improve the allocation of resources among credit programs and between credit and other spending programs.

040103. Authority

A. Reporting requirements, instructions, implementation guidance, and instructions for calculating subsidy estimates and re-estimates, as well as background information are contained in the Office of Management and Budget (OMB) ***OMB Circular A-11, Part 5, "Federal Credit***."

B. Treasury Department reporting instructions, "Treasury Reporting Instructions for Credit Reform Legislation," are provided in Volume 1, Part 2, of the Treasury Financial Manual ***http://www.fms.treas.gov/tfm/vol1/v1p2c460.html***.

C. Policies and procedures prescribed by OMB for justifying, designing, and managing Federal credit programs are contained in ***OMB Circular No. A-129,*** "Policies for Federal Credit Programs and Non-Tax Receivables."

0402 STANDARDS

040201. Explanation

The specific accounting standards for direct and guaranteed loans are discussed in this chapter. The standards concern the recognition and measurement of direct loans, the liability associated with loan guarantees, and the cost of direct loans and loan guarantees.

040202. Accounting Standards

A. Post-1991 Direct Loans. Refers to direct loan obligations made on or after October 1, 1991, and the resulting direct loans. Direct loans disbursed and outstanding are recognized as assets at the present value of their estimated net cash inflows. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recognized as a subsidy cost allowance.

B. Post-1991 Guarantees. Refers to loan guarantee commitments made on or after October 1, 1991, and the resulting loan guarantees. For guaranteed loans outstanding, the present value of estimated net cash outflows of the loan guarantees is recognized as a liability. Disclosure is made of the face value of guaranteed loans outstanding and the amount guaranteed.

C. Subsidy Costs of Post-1991 Direct Loans and Loan Guarantees. A subsidy expense is recognized for direct or guaranteed loans disbursed during a fiscal year. The amount of subsidy expense equals the present value of estimated cash outflows over the life of the loans, minus the present value of estimated cash inflows, discounted at the average interest rate on marketable U.S. Treasury securities of similar maturity to the cash flows of the loan or loan guarantee for which the estimate is being made.

1. For the fiscal year during which new direct or guaranteed loans are disbursed, the components of the subsidy expense of those new direct loans and loan guarantees are recognized separately as interest subsidy costs, default costs, fees and other collections, and other subsidy costs.

2. The interest subsidy cost of direct loans is the excess of the amount of the loans disbursed over the present value of the interest and principal payments required by the loan contracts, discounted at the applicable U.S. Treasury interest rate. The interest subsidy cost of loan guarantees is the present value of estimated interest supplement payments.

3. The default cost of direct loans or loan guarantees results from any anticipated deviation, other than prepayments by the borrowers, from the payments schedule in the loan contracts. The deviations include delinquencies and omissions in interest and principal payments. The default cost is measured at the present value of the projected delinquencies and omissions minus net recoveries. Projected net recoveries include the amounts that would be

collected from the borrowers at a later date, or the proceeds from the sale of acquired assets, minus the costs of foreclosing, managing, and selling those assets.

4. The present value of fees and other collections is recognized as a deduction from subsidy costs.

5. Other subsidy costs consist of cash flows that are not included in calculating the interest or default subsidy costs, or in fees and other collections. They include the effect of prepayments within contract terms.

D. Subsidy Amortization and Reestimation. The subsidy cost allowance for direct loans is amortized by the interest method, using the interest rate that was originally used to calculate the present value of the direct loans when loans were disbursed. The amortized amount is recognized as an increase (when effective interest exceeds nominal interest) or decrease (when nominal interest exceeds effective interest) in interest income. Nominal interest equals the nominal balance (i.e., the face amount) of the loan outstanding at the beginning of the period multiplied by the interest rate stated in the loan contract. Effective interest equals the book value of the loan (i.e., net of allowance for subsidy) multiplied by the applicable U.S. Treasury interest rate.

1. Interest is accrued and compounded on the liability of loan guarantees at the interest rate that was used to calculate the present value of the loan guarantee liabilities, when the guaranteed loans were disbursed. The accrued interest is recognized as interest expense.

2. The subsidy cost allowance for direct loans and the liability for loan guarantees are reestimated each year as of the date of the financial statements. Since the allowance or the liability represents the present value of the net cash outflows of the underlying direct loans or loan guarantees, the reestimation takes into account all factors that may have affected the estimate of each component of the cash flow, including prepayments, defaults, delinquencies, and recoveries. Any increase or decrease in the subsidy cost allowance or the loan guarantee liability resulting from the reestimates is recognized as an increase in subsidy expense (or a reduction in subsidy expense). Components are not required to report the subsidy cost allowance of direct loans (or the liability of loan guarantees) and reestimates.

E. Criteria for Default Cost Estimates. The criteria for default cost estimates apply to both initial estimates and subsequent reestimates. Default costs are estimated and reestimated for each program on the basis of separate cohorts and risk categories. The reestimates take into account the differences in cash flows between the projected and realized amounts, and changes in other factors that can be used to predict the future cash flows of each risk category.

1. In estimating default costs, the following risk factors are considered: (a) loan performance experience; (b) current and forecasted international, national, or regional economic conditions that may affect the performance of the loans; (c) financial and other relevant characteristics of borrowers; (d) the value of collateral to loan balance; (e) changes

in recoverable value of collateral; and (f) newly developed events that would affect the performance of the loan. Improvements in methods to reestimate defaults also are considered.

2. Each credit program shall use a systematic methodology, such as an econometric model, to project default costs of each risk category. If individual accounts contain significant dollars that would carry a proportionately higher weight in terms of risk exposure, an analysis of the individual accounts is warranted in making the default cost estimate for that category.

3. The actual historical experience for the performance of a risk category is a primary factor upon which an estimation of default cost is based. To document actual experience, a database shall be maintained to provide historical information on actual payments, prepayments, late payments, defaults, recoveries, and amounts written off.

F. Revenues and Expenses. Interest accrued on direct loans, including amortized interest, is recognized as interest income. Interest accrued on the liability of loan guarantees is recognized as interest expense. Interest due from the U.S. Treasury on uninvested funds is recognized as interest income. Interest accrued on debt to the U.S. Treasury is recognized as interest expense. Costs for administering credit activities, such as salaries, legal fees, and office costs, that are incurred for credit policy evaluation, loan and loan guarantee origination, closing, servicing, monitoring, maintaining accounting and computer systems, and other credit administrative purposes, are recognized as administrative expense. Administrative expenses are not included in calculating the subsidy costs of direct loans and loan guarantees.

G. Pre-1992 Direct Loans and Loan Guarantees. The losses and liabilities of direct loans obligated and loan guarantees committed before October 1, 1991, are recognized, when it is more likely than not that the direct loans will not be collected totally, or that the loan guarantees will require a future cash outflow to pay default claims.

1. The allowance for uncollectible amounts and the liability of loan guarantees shall be reestimated each year as of the date of the financial statements. In estimating losses and liabilities, the risk factors discussed in subparagraph 040202.E.1. must be considered. Disclosure is made of the face value of guaranteed loans outstanding and the amount guaranteed.

2. Restatement of pre-1992 direct loans and loan guarantees on a present value basis is permitted but not required.

H. Modification of Direct Loans and Loan Guarantees. The term "modification" means a Federal action, including new legislation or administrative action, which directly or indirectly alters the estimated subsidy cost and the present value of outstanding direct loans, or the liability of loan guarantees.

1. Direct modifications are actions that change the subsidy cost by altering the terms of existing contracts or by selling loan assets. Existing contracts may be altered through such means as forbearance, forgiveness, reductions in interest rates, extensions of maturity, and prepayments without penalty. Such actions are modifications unless they are

considered reestimates, or workouts, as defined in subparagraph 040202.H.3., or are permitted under the terms of existing contracts.

2. Indirect modifications are actions that change the subsidy cost by legislation that alters the way in which an outstanding portfolio of direct loans or loan guarantees is administered. Examples include a new method of debt collection prescribed by law or a statutory restriction on debt collection.

3. The term "modification" does not include subsidy cost reestimates, the routine administrative workouts of troubled loans, or actions that are permitted within the existing contract terms. Workouts are actions taken to maximize repayments of existing direct loans, or minimize claims under existing loan guarantees. The expected effects of workouts on cash flows are included in the original estimate of subsidy costs and subsequent reestimates.

I. Modification of Direct Loans. With respect to a direct or indirect modification of pre-1992 or post-1991 direct loans, the cost of modification is the excess of the premodification value of the loans over the post-modification value of those loans. The amount of the modification cost is recognized as a modification expense when the loans are modified.

1. When a post-1991 direct loan is modified, the existing book value of that loan is changed to an amount equal to the present value of the net cash inflows projected under the modified terms from the time of modification to the loan's maturity. That amount is discounted at the original discount rate. (The rate that originally was used to calculate the present value of the direct loan, when the direct loan was disbursed, after adjusting for the interest rate reestimate.)

2. When a pre-1992 direct loan is directly modified, it is transferred to a financing account and its book value is changed to an amount equal to its post-modification value. Any subsequent modification is treated as a modification of post-1991 loans. When a pre-1992 direct loan is indirectly modified, it is kept in a liquidating account. The bad debt allowance is reassessed and adjusted to reflect amounts that would not be collected due to the modification.

3. The changes in the book value of both pre-1992 and post-1991 direct loans, resulting from a direct or indirect modification, and the cost of modification, normally will differ due to the use of different discount rates or different measurement methods. Any difference between the change in book value and the cost of modification is recognized as a gain or loss. For post-1991 direct loans, the modification adjustment transfer paid or received to offset the gain or loss is recognized as a financing source (or a reduction in financing source).

J. Modification of Loan Guarantees. With respect to a direct or indirect modification of pre-1992 or post-1991 loan guarantees, the cost of modification is the excess of the post-modification liability of the loan guarantees over the premodification liability of those loan guarantees. The modification cost is recognized as modification expense when the loan guarantees are modified.

1. The existing book value of the liability of modified post-1991 loan guarantees is changed to an amount equal to the present value of net cash outflows projected under the modified terms from the time of modification to the maturity of those loans, discounted at the original discount rate (the rate that originally is used to calculate the present value of the liability when the guaranteed loans were disbursed, after adjusting for the interest rate reestimate.)

2. When a pre-1992 loan guarantee is directly modified, the modified loan guarantee is transferred to a financing account and the existing book value of the liability of the modified loan guarantees is changed to an amount equal to its post-modification liability. Any subsequent modification is treated as a modification of a post-1991 loan guarantee. When a pre-1992 loan guarantee is indirectly modified, that loan guarantee is kept in a liquidating account. The liability of such a loan guarantee is reassessed and adjusted to reflect any change in the liability resulting from the modification.

3. The change in the amount of liability of both pre-1992 and post-1991 loan guarantees resulting from a direct or indirect modification and the cost of modification normally will differ, due to the use of different discount rates or the use of different measurement methods. Any difference between the change in liability and the cost of modification is recognized as a gain or loss. For post-1991 loan guarantees, the modification adjustment transfer paid or received to offset the gain or loss is recognized as a financing source (or a reduction in financing source).

K. Disclosure. Disclosure is made in notes to financial statements to explain the nature of the modification of direct loans or loan guarantees, the discount rate used in calculating the modification expense, and the basis for recognizing a gain or loss related to the modification. For further information on financial statement disclosures regarding direct or guaranteed loans, go to "Notes to the Financial Statements," Volume 6B, Chapter 10, Note 8.

L. Foreclosure of Post-1991 Direct Loans and Guaranteed Loans. When property is transferred from borrowers to a Federal credit program, through foreclosure or other means, in partial or full settlement of post-1991 direct loans, or as compensation for losses that the government sustained under post-1991 loan guarantees, the foreclosed property is recognized as an asset. The asset is recorded at the present value of its estimated future net cash inflows discounted at the original discount rate, adjusted for the interest rate reestimate.

1. If a legitimate claim exists by a third party or by the borrower to a part of the recognized value of the foreclosed assets, the present value of the estimated claim is recognized as a special contra valuation allowance.

2. Upon the foreclosure of a guaranteed loan, a Federal guarantor may acquire the loan involved. The acquired loan is recognized at the present value of its estimated net cash inflows from selling the loan or from collecting payments from the borrower, discounted at the original discount rate, adjusted for the interest rate reestimate.

3. When assets are acquired in full or partial settlement of post-1991 direct loans or guaranteed loans, the present value of the government's claim against the borrowers is reduced by the amount settled as a result of the foreclosure.

M. Write-off of Direct Loans. When post-1991 direct loans are written off, the unpaid principal of each such loan is removed from the gross amount of loans receivable. Concurrently, the same amount is charged to the allowance for subsidy costs. Prior to the write-off, the uncollectible amounts should have been reflected in the subsidy cost allowance through the subsidy cost estimate or reestimates. Therefore, the write-off would have no effect on expenses. See OMB Circular A-129 for additional details.

N. Additional Disclosures Required for Periods Beginning After September 30, 2000. The SFFAS No. 18, "Amendments to Accounting Standards for Direct Loans and Loan Guarantees," require additional disclosures. Beginning in FY 2001, Federal agencies are required to:

1. Report subsidy reestimates in two distinct components: the interest rate reestimate and the technical/default reestimate

2. Display reconciliation between the beginning and the ending balances of the subsidy cost allowance for direct loans and the liability for loan guarantees, reported in an entity's balance sheet

3. Provide a description of program characteristics and disclose:

a. the amounts of direct or guaranteed loans disbursed in each program during the reporting year;

b. the estimated subsidy rates for the total subsidy and the subsidy components at the program level in the current year's budget for the current year's cohorts;

c. events and changes in economic conditions, other risk factors, legislation, credit policies and subsidy estimation methodologies and assumptions, that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy reestimates; and

d. past events and changes in conditions that may be likely to have a significant impact, but the effects of which are not measurable at the reporting date.

0403 CREDIT REFORM FUND CONTROLS

040301. Fund Control

For credit programs, systems for administrative control of funds are required to include the following features:

A. Restrict both obligations and expenditures from each program account, financing account, and liquidating account to the lesser of:

1. The amounts available for administrative expenses, direct loan subsidies, direct loan levels, guaranteed loan levels, and any limitations specified in law; or

2. The amounts apportioned for the amounts specified.

B. Enable the fixing of responsibility for an obligation or expenditure exceeding the categories specified.

C. Simultaneously determine, at the obligation stage for direct loans and at the commitment stage for guaranteed loans, whether sufficient budget authority for the subsidy exists in the program account and whether a sufficient unused loan level limit exists in the financing account. The system for calculating obligations also must be capable of changing the subsidy calculation when the U.S. Treasury changes interest rates. (Rate changes do not affect obligated but undisbursed loans in the case of direct loans and committed but undisbursed loans in the case of guaranteed loans.)

040302. Anti-deficiency Act Violations

Anti-deficiency Act violations for direct loans, guaranteed loans, and financing accounts are reportable to the President, through the Director of the OMB, and to the Congress. For additional information, go to "Anti-Deficiency Act Violations," Volume 14, Chapter 2. Violations include:

A. Overobligation or Overexpenditure of the Subsidy. This is any case where an officer or employee of the U.S. Government makes or authorizes an expenditure or creates or authorizes an obligation, including a commitment, that is in excess of amounts appropriated and apportioned for (1) the direct loan subsidy or (2) the guaranteed loan subsidy. Examples of violations include modifications of direct loans or loan guarantees, such as forgiveness, forbearance, reductions in interest rate, prepayments without penalty, and extensions of maturity, that result in obligations in excess of apportioned unobligated balances or subsidy amounts.

B. Overobligation or Overexpenditure of the Credit Level Supportable by the Enacted Subsidy

This is any case where an officer or employee of the U.S. Government makes or authorizes an expenditure or creates or authorizes an obligation, including a commitment, that is in excess of the credit program level supportable by the enacted subsidy, regardless of whether the subsidy is positive or negative. This includes obligations or expenditures that are in excess of: (1) the direct loan level, (2) the guaranteed loan level, or (3) any limitations on the loan level or the Federal share of guaranteed loan levels.

C. Overobligation or Overexpenditure of the Amount Appropriated for Administrative Expenses

This is any case where an officer or employee of the U.S. Government makes or authorizes an expenditure or creates or authorizes an obligation, including a commitment, which is in excess of the amount appropriated for administrative expenses.

D. Obligation or Expenditure of the Expired Unobligated Balance of the Subsidy Except to Correct Mathematical or Data Input Errors in Calculating Subsidy Amounts

This is any case where an officer or employee of the U.S. Government makes or authorizes expenditure or creates or authorizes an obligation, including a commitment, against unobligated subsidy balances after the period of obligation authority has expired. Correction of mathematical or data input errors up to the amount of the lapsed unobligated balance of the subsidy are specifically exempted. Corrections of these errors in excess of the amount of the expired unobligated balance of the subsidy are violations.

0404 CREDIT APPORTIONMENT AND REAPPORTIONMENT

Unless specifically exempted by OMB, all program, financing, and liquidating accounts shall be apportioned. This subject is discussed in full detail in Volume 3, Chapter 2, "Apportionment and Reapportionment."

0405 REPORT ON BUDGET EXECUTION AND BUDGETARY RESOURCES (Standard Form 133)

040501. Coverage

Unless otherwise specified by the OMB, the Report on Budget Execution and Budgetary Resources shall be prepared to provide current data on each credit account, whether apportioned or not. Current reporting requirements are published in ***OMB Circular A-11, Part 4,*** "Instructions on Budget Execution."

040502. Timing of Reports

The Report on Budget Execution and Budgetary Resources shall be submitted electronically through the Department of the Treasury Federal Agencies' ***Centralized Trial-Balance Systems (FACTS II)***, each quarter or such other time period specified by the OMB. The dates for reporting budget execution data through FACTS II are also available at the same web site. A copy of the SF 133 for each calendar quarter shall be submitted to the Committee on Appropriations, House of Representatives. When required by the OMB, SF 133 reports are submitted monthly directly to the OMB examiner, in addition to the electronic submission through FACTS II. Data submissions occur via the ***Government Treasury Account Symbol (GTAS)***.

0406 DIRECT LOANS

Obligation of subsidy shall be recorded in the program account when a binding contract has been signed, in accordance with the provisions of OMB Circular A-11, Part 5, Federal Credit. Subsidy funds shall be paid from the program account to the financing account when the direct loan is to be disbursed to the borrower. Note that the subsidy is not recalculated at the time of loan disbursement. Rather, any change in estimated subsidy caused by an interest rate change or change in estimates for other components of subsidy cost, is made at the beginning of the fiscal year after the fiscal year in which the loan is disbursed. If, at that time, the subsidy amount increases, permanent indefinite budget authority is available to fund the increase, pursuant to section 504(f) of the ***"Federal Credit Reform Act of 1990***." If the subsidy amount decreases, a payment shall be made to a receipt account.

0407 GUARANTEED LOANS

Obligation of subsidy shall be recorded in the program account when a binding contract has been signed, in accordance with the provisions of OMB Circular A-11, Part 5, Federal Credit. Subsidy funds shall be paid from the program account to the financing account when the guaranteed loan is disbursed to the borrower by the third-party lender. Note that the subsidy is not recalculated at the time of loan disbursement. Rather, any change in estimated subsidy caused by an interest rate change or change in estimates for other components of subsidy cost is made at the beginning of the fiscal year after the fiscal year in which the loan is disbursed. If, at that time, the subsidy amount increases, permanent indefinite budget authority is available to fund the increase, pursuant to section 504(f) of the "Federal Credit Reform Act of 1990." If the subsidy amount decreases, a payment shall be made to a receipt account.

0408 COMPUTATION OF INTEREST EXPENSE AND INTEREST INCOME.

040801. Instructions for Computations of Interest Expense and Interest Income for Direct and Guaranteed Loan Programs

A. Interest expense in a direct loan program results from borrowing from the U.S. Treasury. As each loan is disbursed by the financing account to the individual borrower, subsidy funds are transferred from the program account to the financing account. Consequently, each loan disbursement is financed by two sources--subsidy transfer and borrowing from the U.S. Treasury.

B. A single borrowing from the U.S. Treasury is made at the beginning of each fiscal year, separately for each cohort, based on the estimated net loan disbursements for the cohort. Interest expense accrues on the borrowing, and interest income accrues on the undisbursed balance of the borrowing from the U.S. Treasury. (The undisbursed balance of U.S. Treasury borrowing is held as uninvested funds and earns interest.) The interest rate earned on the uninvested funds equals the interest rate paid on borrowing from the U.S. Treasury.

040802. Frequency of Interest Computations

OMB has determined that most credit programs do not have a seasonal bias in their loan disbursement patterns. Consequently, interest expense and income calculations for cohorts that currently are disbursing shall be based on an assumption that the actual loan amounts disbursed during the year were disbursed equally throughout the four quarters. The assumption allows agencies annually to compute interest expenses and interest income, at the end of each fiscal year, using the average annual interest rate provided by OMB and the U.S. Treasury. In those few programs that have a strong seasonal pattern, OMB will calculate special weighted average interest rates appropriate to these patterns and will provide them to the agencies.

040803. Weighted Average Interest Rate

The Credit Reform Act provides that the interest rate for borrowing shall be assigned based on the U.S. Treasury rate in effect during the period of loan disbursement. Many individual loans are disbursed in segments over several quarters or even years. Consequently, several interest rates can be applicable to an individual loan. To simplify the recordkeeping, a single weighted average interest rate is maintained for each cohort and is adjusted each year, until 90 percent of the disbursements from the cohort have been made. Each year the current year average annual interest rate is weighted by current year disbursements, and merged with the prior year's weighted average, to calculate a new weighted average. Additional information regarding subsidy calculation is contained in OMB Circular A-11, Part 5, “Federal Credit.”

040804. Procedure and Due Dates for Computing Interest Expenses and Income Related to Borrowing for Direct Loan and Guaranteed Loan Financing Accounts

Detailed instructions for calculating interest due to and due from the U.S. Treasury are provided in Volume 1, Part 2, Treasury Financial Manual, Chapter 4600. Interest payments must be paid to the U.S. Treasury on the SF 1081, “Voucher and Schedule of Withdrawal and Credits,” not later than the last business day of the fiscal year. Requests for interest due from the U.S. Treasury on uninvested financing account balances must be submitted to the Treasury Department not later than the third business day after the close of the fiscal year.

0409 Credit Reform USSGL Accounts and Definitions

Credit reform accounts and definitions were established in the USSGL to implement requirements of the "Federal Credit Reform Act of 1990," (as amended), and are intended to account for direct loans and loan guarantees. DoD entities must follow the Standard Financial Information Structure (SFIS) which is based on the Treasury USSGL. For more complete information go to the ***SFIS website***.

VOLUME 12, CHAPTER 4, APENDIX A: "CREDIT REFORM: CASH FLOWS FOR DIRECT LOANS AND FOR LOAN GUARANTEES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue, and underlined font*.

The previous version dated September 2008 is archived

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
N/A	All hyperlinks updated to current web documents.	Revision
All	This appendix is certified as current.	Current

APPENDIX A

CREDIT REFORM:CASH FLOWS FOR DIRECT LOANS AND FOR LOAN GUARANTEES

In order to more clearly understand the cash flow process as required by credit reform for a direct loan or a guaranteed loan, two examples are provided.

EXAMPLE: Cash Flow for a $100 Direct Loan, 20 percent subsidy, disbursed in one year

1. Congress appropriates $20 in subsidy budget authority (BA) to the program account.

2. The $20 subsidy is obligated when the $100 loan is obligated.

3. The $20 subsidy is outlayed to the financing account at the time the $100 loan is disbursed to the borrower. Simultaneously, the financial account borrows the additional $80 needed to make the $100 loan from the U.S. Treasury (Treasury).

4. The borrower pays fees, interest, and principal to the financing account under the terms of the loan.

5. The financing account makes payments to the Treasury over time on the $80 portion of the loan. If the subsidy rate is accurate, the loan repayments (and other payments) to the financing account will be exactly the amount necessary to repay the original amount of $80 borrowed from the Treasury plus interest.

6. If the subsidy is not accurate, a reestimate must be calculated, and as necessary, either:

    a. an additional subsidy will be disbursed from the program account to the financial account, to cover the amount of the reestimate, or

    b. excess funds must be moved from the financial account to a negative receipt account, where these funds are unavailable until appropriated.

EXAMPLE: Cash flow for a $100 Loan Guarantee with a 20 percent subsidy rate disbursed in one year

1. Congress appropriates $20 in subsidy BA to the program account.

2. The $20 subsidy is obligated when the $100 loan is obligated.

3. The lending institution lends a 75 percent government-guaranteed $100 loan to the borrower. When the loan is disbursed, $20 in subsidy BA is outlayed to the financing account. The borrower pays a 2 percent upfront fee to the agency, which is deposited into the financing account.

4. Reserves (uninvested funds) are held in the financing account and earn interest.

5. The borrower pays principal and interest to the lending institution.

6. If the borrower defaults, the reserves held in the financial account are used to make claim payments to the lending institution. If the subsidy rate is accurate, the financial account will have exactly the reserves required to cover all defaults and other subsidies for that set or cohort of loans.

7. If the subsidy is not accurate, a reestimate must be made, and, as necessary either:

    a. additional subsidy shall be disbursed from the program account to the financing account to cover the amount of the reestimate, or

    b. excess funds must be moved from the financing account to a negative receipt account, where these funds are unavailable until appropriated.

For additional examples and details, see OMB Circular A-11, Part 5, Federal Credit ***(http://www.whitehouse.gov/omb/circulars/a11/current_year/s185.pdf)*.** Guidance for the SF 133, Report on Budget Execution and Budgetary Resources, and further explanation may be found at ***http://www.whitehouse.gov/sites/default/files/omb/assets/a11_current_year/app_f.pdf*** and ***http://www.whitehouse.gov/sites/default/files/omb/assets/a11_current_year/s130.pdf*** . The text of the Credit Reform Act of 1990, as amended, is found at **http://www.fms.treas.gov/ussgl/creditreform/fcra.html** .

VOLUME 12, CHAPTER 5: "GRANTS AND COOPERATIVE AGREEMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated December 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
050101	Added Overview section.	Addition
050103	Added new Office of Management and Budget (OMB) guidance as contained in 2 CFR part 200 which has supplanted OMB Circular A-110, deleted reference to DoD 3210.6R as it has been cancelled; and made various wording changes to align with current practice.	Addition/ Deletion/ Revision
0502	Revised section title.	Revision
050202	Deleted the words 'or contract.' (now 050402)	Deleted
050204	Added information on accounting treatment for grants accruals according to GAAP and FASAB Handbook. (Now paragraph 050404.)	Addition
050206	Combined gist of previous paragraph 050206, Refunds Receivable, with 050207, to enhance reader understanding. (Now paragraph 050407.)	Revision
050205, 050206, 050207	Revised paragraph numbering due to addition of GAAP and FASAB information. (Now paragraphs 050405, 06, 07.)	Revision
050208	Deleted previous paragraph 050208 as grant information is no longer included in Volume 5.	Deletion
0503	Revised section title.	Revision
050402	Clarified wording.	Revision
050403	Included document retention requirement.	Addition
050404	Added new paragraph on accruals.	Addition
050407	Revised paragraph title and added document retention requirement.	Revision/ Addition
Multiple	Reformatted and corrected hyperlinks.	Update

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CHAPTER 5

GRANTS AND COOPERATIVE AGREEMENTS

*0501 GENERAL

050101. Overview

A. DoD grants and cooperative agreements are federal assistance agreements under which payments are made for specified purposes. The major difference between grants and cooperative agreements is that grants are assistance awards for which no substantial involvement is anticipated between the DoD and the recipient during performance of the contemplated activity, whereas cooperative agreements are awards for which substantial involvement is anticipated. However, the accounting treatment for the two types of agreements is the same.

B. DoD grant and cooperative agreement recipients include institutions of higher education, non-profit organizations, local and state governments, and for-profit entities.

050102. Purpose

This chapter prescribes the policy to be followed by the Department of Defense (DoD) Components to account for and control funds obligated through grants and cooperative agreements.

*050103. Authority

A. "DoD Grant and Agreement Regulations,'" (DoDGARs) which is based on Title 32, Code of Federal Regulations (CFR), ***Part 22;***

B. ***Title 31, United States Code (USC), Chapter 63,*** "Using Procurement Contracts and Grant and Cooperative Agreements;"

C. ***Title 2, CFR, Part 1103***, DoD's interim implementation, which directs DoD Components to use the Office of Management and Budget (OMB) guidance found at ***2 CFR part 200*** to govern the administrative requirements, cost principles, and audit; and

D. ***Title 32, CFR, Part 34***, "Administrative Requirements for Grants and Agreements with For-Profit Organizations."

E. The ***"Catalog of Federal Domestic Assistance,"*** maintained for OMB by the General Services Administration, is a basic reference source for descriptions of DoD programs that utilize grants, cooperative agreements, and other forms of assistance.

F. ***The Federal Funding Accountability and Transparency Act of 2006***, also included as part of the DoDGARs, requires full disclosure by entities that receive $25,000 or

more in Federal funding, including grants, subgrants, awards, and cooperative agreements. Information from FY 2007 forward must be entered into the ***http://www.USAspending.gov*** web site, established by OMB to implement the Act's requirements.

*0502 ALLOWABLE USES OF GRANTS AND COOPERATIVE AGREEMENTS

050201. Use of grants and cooperative agreements

A. Conduct of scientific and engineering research and related education and research training;

B. Operation, maintenance, and some construction for State National Guard units, for which DoD shares the cost with the states. (State National Guard units are state agencies, unless and until the President activates them for federal missions);

C. Military base re-use studies and community planning;

D. The DoD Procurement Technical Assistance Program; and

E. Grants under the Foreign Military Financing Program. DoD awards grants to foreign nations allied to the U.S. These grants provide the financing to U.S. allies for acquisition of U.S. military articles, services, and training. Financial policies for these grants are described in Volume 15, Security Assistance Policy and Procedures, Chapter 1.

050202. Technical Assistance Programs

Grants and cooperative agreements do not include technical assistance programs that provide services instead of money, and are statutorily distinct from contracts entered into and administered under procurement laws and regulations.

*0503 USE OF FUNDS IN ACCORDANCE WITH THE AWARD

050301. Acceptance of an Assistance Award

A. The acceptance of an assistance award from DoD creates a legal duty on the part of the recipient to use the available funds or property in accordance with the terms and conditions of the assistance agreement.

B. Payments may be made in advance or as reimbursement for either work performed or costs incurred by awardees.

050302. Required Awardee Returns to DoD

A. Any funds applied improperly;

B. Any federally-owned property provided under awards, and in some cases, property purchased under awards, consistent with the terms of the award; and

C. In most cases, unused balances of advance payment awards (plus earned interest payable to the Department of Health and Human Services);

0504 ACCOUNTING STANDARDS FOR GRANTS AND COOPERATIVE AGREEMENTS

050401. Commitment of Funds

Accounting for funds under a DoD grant or cooperative award must start with the commitment of funds prior to their obligation by the awarding official. The awarding official must be a properly warranted grants or agreements officer. Following the funds commitment, the following must be accomplished: recording of the obligation upon execution of the agreement or other obligating document approved by the awarding official that sets out the amount and purpose of the award, the performance period, the obligations of the parties to the award, and other terms. A legal obligation to disburse the assistance funds, in accordance with the terms of the agreement, occurs upon execution of an agreement, or other obligating document.

*050402. Advance Payments

Advance payments to award recipients must be accounted for as advances by the assisting DoD Component (this would be the Defense Finance and Accounting Service (DFAS) in some cases) until the recipient has performed under the award.

*050403. Recording of Expense

When the recipient that received the advance has performed under the grant or cooperative agreement, the DoD Component (again, DFAS in some cases) must record an expense in an amount equal to the cost of the services performed or cost incurred, and reduce the advance account by that amount. The recipient shall provide sufficient documentation to support the cost of the services performed or cost incurred, consistent with the award or contract. This documentation should also be used to support the appropriate payment in paragraph 050404. Documentation must be maintained for six years, three months, and 1 day following award closeout.

*050404. Accruals

A. The accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) requires revenues to be recognized in the period earned and expense recognized in the period incurred;

B. Accruals represent liabilities for goods and services received or work performed by another. Accruals must be recorded even if specific parts of the underlying financial process may not have been completed;

C. Accruals must be supported by reasonable documentation, which is generally written documentation that allows another reasonably knowledgeable individual to come to the same logical conclusion when the documentation is reviewed;

D. Accruals should be reversed when the good or services have been received, or the accrual is determined to be invalid; and

E. Pursuant to the Federal Accounting and Standards Advisory Board (FASAB) Handbook, Version 13 (06/14), Technical Release 12, ***"Accrual Estimates for Grant Programs,"*** accruals for grants programs may be estimated until sufficient relevant and reliable historical data is available to calculate more exact figures.

050405. Expenditures or Expenses Incurred

Payments to award recipients as reimbursement for work performed or costs incurred must be accounted for as expenditures and as expenses incurred, or as reductions of liabilities if the expenses were recorded previously.

050406. Title to Assets

When title to assets acquired by award recipients' vests with the U.S. Government, the DoD Component must establish appropriate general ledger accounting control and property records, and include the assets in its financial statements. The assets must be recorded at acquisition cost to the award recipient, and depreciated in accordance with guidance contained in Volume 4, Chapters 1 and 6.

*050407. Funds Disposition at Grant Closeout

At the termination or closeout of a grant or cooperative agreement, disallowed expenses, improperly applied funds, and/or unused funds, must be established as an accounts receivable by the DoD Component. Note that substantiating documentation must be maintained for six years, three months, and one day, following the date of award closeout.

0505 ADDITIONAL ACCOUNTING FOR GRANTS

Additional policy for grants accounting, advances to grantees, and/or specifically for research grants, is provided in Volume 4, Accounting Policy and Procedures, Chapters 4 and 5.

0506 FINANCIAL MANAGEMENT FOR GRANTS AND COOPERATIVE AGREEMENTS

050601. Availability of Financial Management Information System

The DFAS must ensure the availability of a financial management information system capable of recording and monitoring grant and cooperative agreement transactions and providing, by transaction, a delineation of the federal and awardee break out of program costs.

The system must enable the DoD Component to identify quickly the basic categories of funds involved, along with the related obligation and expenditure rates, and provide for ensuring fund availability prior to awarding financial assistance and obligating funds.

050602. Multiple Advances

Advances may be requested to cover more than one award to facilitate cash management, and to simplify accounting steps.

050603. Liquidation of Advances

Advances must be liquidated based upon reports of expenditures and the return of funds.

050604. Minimizing Financing Costs

Disbursements, whether by check or electronic funds transfer, must be timed to minimize financing costs and the time lapse between the transfer of funds from the U.S. Treasury and subsequent disbursement by the recipient for program purposes. DoD Component systems must ensure that disbursements are controlled in accordance with guidance contained in Volume 4, Chapter 2.

050605. Reimbursement Method of Financing

When the reimbursement method of financing is used, payment to the recipient should be made within 30 days after receipt of the payment request.

050606. Maintenance of Property Records

DoD Components must maintain appropriate records of property acquired by recipients for which title rests or may rest with the U.S. Government.

050607 Accounts Receivable due to Sustained Audit Finding

Amounts due as a result of a sustained audit finding must be promptly recorded upon entitlement as an accounts receivable. The receivable must be recorded even though the decision to collect is subject to administrative appeal or litigation. Interest must begin to accrue no later than 30 days after the date the auditee was notified of the debt, and continues to accrue while an appeal is underway.

VOLUME 12, CHAPTER 7: "FINANCIAL LIABILITY FOR GOVERNMENT PROPERTY LOST, DAMAGED, DESTROYED, OR STOLEN"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated June 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
	This chapter is certified as current	

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CHAPTER 7

FINANCIAL LIABILITY FOR GOVERNMENT PROPERTY LOST, DAMAGED, DESTROYED, OR STOLEN

0701 OVERVIEW

070101. Purpose

This chapter provides for the implementation of policies and responsibilities relating to financial liability for government property that is lost, damaged, destroyed or stolen. This chapter prescribes how to:

A. Account for loss, damage, destruction, or theft of government property; determine the responsibility and amount of financial liability of those found to be culpable for such financial losses; provide relief from accountability; and establish debts resulting from the assessment of financial liability.

B. Inquire, research, and investigate the causes of the loss, damage, destruction, or theft of government property.

C. Assess financial liability with respect to lost, damaged, destroyed, or stolen government property.

D. Initiate ***DD Form 200***, "Financial Liability Investigation of Property Loss."

070102. Responsibilities

A. Under Secretary of Defense (Comptroller). The Under Secretary of Defense (Comptroller) is responsible for financial policies regarding financial liability for government property lost, damaged, destroyed, or stolen.

B. DoD Components. The DoD Components are responsible for ensuring that the following policies and procedures are implemented:

1. Determining and assessing the amount of financial liability of those responsible for such losses;

2. Mitigating, reducing, and/or relieving financial liability in appropriate cases;

3. Establishing debts resulting from the assessment of financial liability and referring them for appropriate collection action.

4. This chapter does not apply to loss, damage, destruction, or theft of Government contract (***Federal Acquisition Regulation, Part 45.101***) property (Government

furnished and Contractor-Acquired Property) and property acquired by a contractor as a result of partial, advance, progress or performance based payments) in the possession of a third party, to include contractors. Loss, damage, destruction, or theft of such property shall be processed in accordance with the terms and conditions of the accountable contract or third party agreement to which the lost, damaged, destroyed, or stolen property was accountable. See also ***DoD Instruction 4161.02,*** "Accountability and Management of Government Contract Property."

0702 GENERAL REQUIREMENTS

070201. Purpose

This section prescribes general requirements regarding accounting for lost, damaged, destroyed or stolen government-owned property, including supply system materiel, equipment, and real property.

070202. Minimum Requirements Definitions

A. Inquiry. An informal process of ascertaining the facts, circumstances, and cause of the loss, damage, destruction, or theft.

B. Investigation. A formal proceeding of ascertaining the facts, circumstances, and cause of the loss, damage, destruction, or theft, in accordance with the minimum requirements set forth in paragraph 070204B.

C. Determination of Proximate Cause. Ascertaining whether the loss, damage, destruction, or theft was proximately caused by an individual's negligence or abuse.

D. Adjustment. Posting to the accountable property records the changes made necessary by the loss, damage, destruction, or theft.

E. Administration. An established process or system to determine whether a responsible party should be held financially liable.

070203. Applicability of Requirements

These requirements apply whether or not the government property is recorded in an accountable property system.

070204. Initiation of General Inquiries and Investigations

A. Upon discovery of loss, damage, destruction, or theft of government-owned property (real or personal) of any value, the first line supervisor or, in the case of military, immediate superior within the chain of command, shall conduct an inquiry to determine if the situation warrants a more formal inquiry, i.e., an investigation. A DD Form 200 is not required for inquiries. Loss, damage, destruction, or theft of materiel shall be processed in accordance with paragraph 0708.

B. An investigation shall be conducted for all loss, damage, destruction, or theft of government-owned equipment with an initial acquisition cost (value) of $5000 or greater; all sensitive, classified, or leased (capital Lease) property regardless of initial acquisition cost; and any real property. (See also ***DoD Instruction 5000.64***, "Accountability and Management of DoD Equipment and Other Accountable Property," for more information.) Investigations may also be conducted when circumstances warrant. For example, when the loss, damage, destruction or thefts of small amounts of property occur frequently enough to suggest a pattern of wrongdoing, then an investigation may be warranted.

C. The Approving Authority is responsible for establishing procedures and designating a person, typically the Accountable Property Officer, Real Property Accountable Officer, or Reviewing Authority (for supply system stocks or "materiel"), to initiate and conduct the investigation, in accordance with agency procedures. Investigations are not limited to the above thresholds, but may be conducted if the approving authority deems a formal investigation necessary.

D. At a minimum, investigations shall identify:

1. What happened?

2. How it happened?

3. Where it happened?

4. Who was involved?

5. When it happened?

6. Any evidence of negligence, willful misconduct, or deliberate unauthorized use or disposition of the property.

E. Evidence of Negligence

1. When inquiring into the loss, damage, destruction, or theft of government property, the first consideration is whether there is evidence of negligence. For example: "Would a reasonably prudent individual have acted in this manner?" "Were there procedures governing the use of the property, and were they followed?" "What were the circumstances that existed when the loss actually occurred?" "Was the individual on the job?" For example, if a dump truck is parked on an incline, a reasonable person would be expected to set the hand brake and leave the vehicle in park. Using blocks under the wheels might or might not be required. If the individual failed to set the brake and/or use blocks under the wheels and the truck rolled down the incline and was damaged, this could be considered evidence of negligence. A reasonably prudent person would be expected to take precautions.

2. When loss, damage, destruction of government quarters is involved, a distinction must be made between simple and gross negligence. Evidence of simple or gross

negligence depends on the conduct of the individual. If the individual failed to exercise precautions or good judgment, then simple negligence applies. If the individual's conduct was characterized by a reckless, deliberate, or wanton disregard of foreseeable consequences, then gross negligence applies. Evidence of whether simple or gross negligence was the proximate cause of the loss, damage, or destruction is based on the facts and circumstances and shall be determined during the general inquiry and documented during the investigation process.

F. DD Form 200. The DD Form 200 is required documentation for investigations—and shall be used to document the facts and circumstances of the loss, damage, destruction, or theft. The person conducting the investigation shall be responsible for completing blocks 1 through 11 of the DD Form 200, as described in section 0706. (The form is included as Table 7-1.)

G. Exceptions. The DD Form 200 is not required when:

1. An individual voluntarily makes restitution to the government for the full amount and classified or sensitive property is not involved.

2. The damage involves a government-owned vehicle. In such cases, an accident investigation report may be used to document an inquiry in lieu of a DD Form 200. However, when the documentation clearly indicates that negligence or abuse was involved, or if a claim against the government is possible, a DD Form 200 shall be prepared.

3. The loss involves shipping and transportation discrepancies attributed to carriers, which are processed and reported according to "Reporting of Item and Packaging Discrepancies," (Non-FMS), "Processing Discrepancy Reports Against Foreign Military Sales Shipments" (FMS), and "Reporting of Transportation Discrepancies in Shipments." However, item discrepancy reports should be reviewed and evaluated to determine if the circumstances of the loss or damage appear to have been caused by negligence or abuse by DoD personnel. If so, a DD Form 200 shall be prepared.

070205. Voluntary Payments

Individuals may voluntarily choose to pay the government for lost, damaged, or destroyed government property any time prior to involuntary collection from their pay. Individuals offering the payment do so of their own volition. The government does not seek any advantage nor forego any right by accepting a voluntary payment. An individual cannot be coerced or threatened with adverse action if payment is not voluntarily made. Individuals must be made aware of the effect of making a voluntary payment. That is, it may not be later withdrawn, avenues for relief will no longer be available, and voluntary payment does not preclude other administrative or disciplinary action. Individuals offering to pay in excess of basic pay for one month by military members or one twelfth of annual pay by civilian employees must be made aware that their liability may be a lesser assessment as a result of an investigation. Voluntary payments may be made in cash, by check, or through payroll deduction.

070206. Review

Upon completion of the investigation, the DD Form 200 shall be forwarded to the appointing authority for review. The appointing authority shall determine if a financial liability officer or financial liability board is needed to conduct an investigation. The general criteria for appointing a financial liability officer are in paragraph 070402.A. The criteria for appointing a financial liability officer for inventory losses are in paragraph 070807. General Counsel and/or the member's commander must be consulted before statements are taken from anyone if there is a suspected violation of the Uniform Code of Military Justice (***10 U.S.C. Chapter 47***).

070207. Evidence of Theft

Cases involving stolen government-owned property shall be referred to local security and/or law enforcement officials, in accordance with agency procedures.

070208. Financial Liability Officer Investigations

The appointing authority may appoint a financial liability officer to determine whether the facts and circumstances support the findings and recommendations of the individual completing blocks 9 and 10 on the DD Form 200. Qualifications, duties, and responsibilities of financial liability officers are discussed in section 0704.

070209. Financial Liability Board

The appointing authority may appoint a financial liability board in lieu of an officer. The reasons for appointment of a board include the complexity, size, or unique type of loss due to negligence or abuse. The composition, objectives, and functions of the board are discussed in section 0705.

070210. Determination of Financial Loss

A. Computation of Financial Loss. A computation of the financial loss to the government shall be made when there is evidence to indicate that the loss was proximately caused by negligence or abuse.

1. When damaged property or items can be repaired economically or restored in condition to that immediately prior to the loss, the loss to the government shall be based on the cost of repair or restoration. If the cost to repair or restore the property exceeds the cost to replace the property, the loss to the government shall be as determined in paragraph, 070210.A.2, below. For real property**,** the plant replacement value will be used to value the asset. If the cost to repair or restore the real property exceeds the plant replacement value, then the cost to acquire and install a new asset will be the amount of loss.

2. When property is lost, damaged, destroyed, or stolen, and the property cannot be replaced, the amount of the loss shall be the fair market value of the property immediately before the loss. When a fair market value cannot readily be determined, the cost of

repairs or an estimate of the repairs may be used (can be obtained from technical manuals or other reliable sources); or the acquisition cost or standard price, adjusted for depreciation may be used (based on the specified depreciation period for such item or if such a period has not been specified, based on its estimated useful life). Depreciation shall be computed using the straight-line method of depreciation. In no case should property be depreciated below its scrap value. For property that is damaged beyond economical repair, the scrap or salvage value of the property shall be used to reduce the loss to the government. For Real Property, the plant replacement value will be used to value the asset. If the cost to repair or restore the real property exceeds the plant replacement value, then the cost to acquire and install a new asset will be the amount of loss.

B. Liability. Financial liability of individuals is based on the actual loss to the government, as computed in paragraph 070210.A, above. When liability is limited by the individual's rate of pay, the amount of the actual loss to the government still is computed. However, in such cases, the financial liability of the individual either is the actual amount of the loss or the limitation based upon the rate of pay, whichever is less.

C. Collective Liability. If more than one individual is found financially liable for the loss, damage, destruction, or theft of government property, the individuals shall be collectively liable for the loss to the government. The government cannot collect more than the total amount of assessed liability. Therefore, the approving authority who assessed financial liability will decide how much to collect from each individual. Among the factors to be considered in taking collection action from each liable individual are the degree of each individual's responsibility for the loss, damage, destruction, or theft and the ability to collect from the responsible individual.

070211. Notification and Examination

When financial liability is recommended, the individual shall be notified and given the opportunity to examine the findings and recommendations, obtain representation, make a rebuttal statement, and present any mitigating factors that may have contributed to the negligence or abuse. If damage to government housing is involved, an individual also shall be given the opportunity to request a waiver of the financial liability, as stated in ***DoD 4165.63-M***, "DoD Housing Management."

0703 APPROVING AND APPOINTING AUTHORITY

070301. Duties and Responsibilities

A. Approving Authority. DoD Component regulations shall designate those individuals who may be an approving authority. The approving authority's responsibilities may be delegated; however, the delegations must be in writing. The approving authority also may act as the appointing authority or designate an appointing authority in writing. The approving authority shall:

1. Designate an appointing authority, when needed.

2. Disqualify oneself when a conflict of interest is possible, e.g., because the loss relates to property for which he or she is responsible and/or accountable.

3. Establish procedures and designate a person to initiate and conduct an inquiry immediately after the loss, damage, destruction, or theft is discovered (see paragraph 070204.A.)

4. Ensure that all DD Forms 200 received are accurate and complete. Evaluate each DD Form 200 and either approve recommendations to assess financial liability or relieve those involved from liability, responsibility or accountability. The approving authority approves or disapproves all DD Forms 200, regardless of dollar value, unless otherwise delegated in writing.

5. Ensure that all gains and losses that require a formal investigation are promptly and thoroughly investigated. The system used to process DD Forms 200 must be frequently reviewed to evaluate the accuracy and timeliness of the investigations.

6. Ensure that DD Forms 200 are initiated, processed and adjudicated within the time limits that may be established by the DoD Components.

7. Require, if delays occur in the initiating or processing of a DD Form 200, a written explanation of the reason for the delay and take appropriate corrective actions.

8. Ensure that persons held financially liable are so notified, informed of their rights (including waiver rights if government housing is involved), and given the opportunity to inspect and copy the DD Form 200.

9. Personally evaluate each DD Form 200 when there is evidence of negligence, abuse, or theft.

10. Determine whether to delegate to the appointing authority the authority to approve or disapprove a DD Form 200 when there is no evidence of negligence or abuse or theft.

11. Ensure, when financial liability is recommended, or when recommendations appear to be inconsistent with findings, that a judge advocate or civilian attorney has reviewed the findings and provided an opinion on the adequacy of evidence and its relationship to the findings and recommendations. This legal review shall be included as part of the record with the DD Form 200 and completed before final action is taken by the approving authority.

12. Ensure that corrections of any attested entries are properly initialed and documented.

13. Overrule, when appropriate, the recommendations of the appointing authority and the financial liability officer. When this action results in the assessment of financial liability, the individuals not previously recommended for liability shall be advised of their rights and afforded an opportunity to exercise their rights.

14. Formally notify individuals against whom he or she has approved financial liability.

B. Appointing Authority. The appointing authority is designated in writing by the approving authority. The approving authority also may act as appointing authority. The appointing authority is responsible for the following tasks:

1. Appoint a financial liability officer, if needed.

2. Appoint a board in lieu of a financial liability officer to conduct the investigation, if warranted. Reasons for considering appointment of a board include complexity, size, or unique type of loss due to negligence or abuse. (See section 0705.)

3. Provide administrative guidance to the financial liability officer or the board.

4. Review DD Forms 200 for accuracy and compliance with this regulation.

5. Approve or disapprove the recommendations of the financial liability officer or the board, and forward personal recommendations to the approving authority.

6. Approve or disapprove DD Forms 200 when there is no evidence of negligence or abuse and authorization has been delegated in writing by the approving authority.

7. Approve or disapprove DD Forms 200 when the loss, damage, destruction or theft is less than $100,000 and authorization has been delegated in writing by the approving authority.

070302. Summary

The appointing and approving authorities must act on the DD Form 200 once an individual has been properly notified and given the opportunity to respond to the findings. Failure of involved individuals to respond to recommendations of financial liability is not a sufficient reason to delay the approval process if the individuals were given a reasonable opportunity to reply, as discussed in paragraph 070404.B.10.

0704 FINANCIAL LIABILITY OFFICER QUALIFICATION AND RESPONSIBILITIES

070401. Purpose

This section contains policies regarding the qualifications, duties, and responsibilities of individuals appointed to conduct an investigation and determine responsibility for lost, damaged, destroyed, or stolen property listed on DD Forms 200. This section is concerned with criteria to determine whether a financial liability officer is required to be appointed, who may be appointed as a financial liability officer, and the duties and responsibilities of that individual. A financial liability officer's findings and recommendations are administrative, not judicial; therefore, the reports are purely advisory; the opinions do not constitute final determinations or legal judgments; and the recommendations are not binding upon appointing and approving authorities.

070402. Criteria

A. Appointment of Financial Liability Officer. The appointing authority should appoint a financial liability officer to conduct a formal investigation when:

1. Recommended by an accountable officer.

2. Directed by higher authority.

3. Deemed appropriate by the appointing authority (e.g., repetitive losses, evidence of negligence or abuse or large dollar losses).

B. Financial Liability Officer Duty. Unless operational requirements clearly dictate otherwise, a financial liability officer shall perform this function as a primary duty until the investigation has been completed.

070403. Financial Liability Officer Qualifications

A. Selection Criteria. A financial liability officer is selected based on training, experience, competence, and ability to conduct independent and objective investigations.

B. Persons Eligible. The financial liability officer shall be a commissioned officer; warrant officer; enlisted member in the grade of E-7, E-8, or E-9; or a civilian employee GS-07, or above. The financial liability officer shall normally be senior to the individuals directly involved in the discrepancy.

C. Use of Reserve Component Personnel. Reserve Component commissioned officers, warrant officers, and noncommissioned officers in grades E-7, E-8, or E-9 not on active duty may serve as financial liability officers during Reserve training sessions.

D. Relationship to Property. A person who is accountable or responsible for, or in any way directly interested in, the property being investigated, shall not be appointed as a financial liability officer.

070404. Financial Liability Officer Responsibilities and Duties

A. General

1. The primary purpose of the DD Form 200 is to determine responsibility for lost, damaged, destroyed, or stolen property. To determine such responsibility, the facts contributing to the loss, damage destruction, or theft must be developed by investigation.

a. The investigation may establish the fact that some other individual is at fault. The financial liability officer shall not limit an investigation to verifying statements of interested parties. Rather, the financial liability officer shall perform an investigation as thoroughly as is needed, in his or her opinion, to ensure that all facts are fully developed, the interests of the government are fully served, and the rights of the involved individuals are fully protected.

b. An investigation is required to determine responsibility and/or liability without regard to the relationship of the responsible individual to the property. As an example, actions by the accountable property officer or property custodian should be investigated as well as the actions of the property users.

2. The investigation conducted by the financial liability officer is the critical phase of the process. The financial liability officer should determine the actual facts, not as alleged but as they actually occurred. The financial liability officer's recommendations shall be evaluated in succeeding reviews; therefore, the recommendations must be supported by the findings and conclusions.

3. The financial liability officer should be able to make a determination from the findings and conclusions as to how the loss or damage occurred and whether negligence or abuse was involved.

4. After recording the findings and conclusions, the financial liability officer should make recommendations based on policies set forth in this regulation. The financial liability officer shall recommend whether to assess financial liability.

5. A function of the financial liability officer is to afford to any person whose conduct or performance of duty may be subject to inquiry or who has a direct interest in the inquiry an opportunity to have their position considered, as described in paragraph 070404.B.10.

B. Conducting an Investigation. Financial liability officers shall conduct investigations promptly. They shall inform the appointing authority immediately of all delays experienced. In conducting the investigation, the financial liability officer shall personally:

1. Scrutinize all available evidence.

2. Interview witnesses and secure statements, ideally in writing, from individuals concerning:

a. The cause of the loss, damage, or theft.

b. The responsibility for the loss, damage, or theft.

3. Compile evidence substantiating or refuting any statement in block 9 of the DD Form 200.

4. Physically examine the damaged property, if possible, and then release it for repair or disposal. This should be done on the first day of his or her appointment.

5. Consult the appointing authority for guidance, when needed.

6. Determine the amount of damage as described in paragraph 070210.A, if the property has been damaged. Determine the value of the property immediately before its damage if the property is not economically reparable. The accountable officer may be asked to assist if he or she has not been directly involved.

7. Ensure that action is taken to exercise control over the property if the property is recovered during the investigation.

8. Ensure that the total loss to the government is computed correctly.

9. Coordinate actions with the claims investigating officer when the investigation may cover loss, damage, destruction, or theft of government property that is being, has been, or shall be investigated because of attendant events by a claims investigating officer. This includes cases where military personnel or civilian employees, while driving a private vehicle, damage government property and have insurance to pay for part of the loss.

10. Adhere to the following requirements:

a. Give any individual against whom the financial liability officer makes a finding of financial liability a chance to examine the report of investigation after the findings and recommendations have been recorded.

b. Give the individual being recommended for financial liability the opportunity to make a statement.

c. Inform the individual that his or her statement may be used against him or her with regard to financial liability and other administrative and disciplinary actions.

d. Fully consider and attach as an exhibit to the DD Form 200 any statement made by the individual(s).

e. Ensure that the individual being recommended for possible financial liability is aware of his or her rights under Volume 5, Chapter 28, "Management and Collection of Individual Debt."

f. Request the individual to acknowledge his or her understanding of these rights by completing block 16 of the DD Form 200.

g. If appropriate, prepare a statement that the individual recommended for liability refused to sign block 16 of the DD Form 200 after being given the opportunity.

h. Mail a copy of the findings, recommendations, and evidence to the person against whom financial liability is recommended by certified mail with a return receipt requested when the person is not readily available. For example, the person may have been transferred or separated from one of the Military Services.

(1) A full explanation of the person's rights shall be included and a reply shall be requested.

(2) If the reply is not received within 30 days after the date of mailing, the financial liability officer shall record this fact and take action to complete the DD Form 200. The record shall be included in, or appended to, the DD Form 200.

(3) Any reply received subsequent to the expiration of 30 days shall be forwarded through the same channels as the DD Form 200 for attachment to the original DD Form 200.

i. Consider any new evidence received after a recommendation has been made. If the financial recommendations remain unchanged, the financial liability officer shall note that the added evidence was considered and shall provide a rationale for not changing the decision, e.g., no new evidence or the matters do not overcome the evidence supporting the original recommendations. The notation shall be on all copies of the report immediately following the original recommendation. If the financial liability officer makes a change in the original recommendations because of the new evidence, the officer shall record such change as "Amended Recommendations." These recommendations should be recorded immediately after the original recommendations.

0705 PURPOSE, APPOINTMENT, COMPOSITION, AND FUNCTIONS OF A FINANCIAL LIABILITY BOARD

070501. Purpose

A financial liability board may be appointed by the appointing authority for the specific purpose of conducting the investigation. The primary purpose of a financial liability board is to provide the appointing and approving authorities with adequate information upon which to assess liability or relieve the involved individual from liability for the loss, damage destruction, or theft of government property. A board provides more resources than an officer to investigate losses

that are large, complex, or unique. Financial liability boards are administrative, not judicial. Therefore, their reports are purely advisory, their opinions do not constitute final determinations or legal judgments, and their recommendations are not binding upon appointing and approving authorities. The board members will establish appropriate board procedures, such as voting, work priorities, and etc.

070502. Appointment and Composition

A. Selection. The members of a financial liability board are selected based on training, experience, competence, and ability to conduct independent and objective investigations. The senior member normally shall be designated as the Chair. The appointing authority shall not appoint an individual who was or is accountable or responsible, or has direct interest in the property, including a financial liability officer who may have previously investigated the loss of the property.

B. Composition. The financial liability board members shall be commissioned officers; warrant officers; enlisted members in grades E-7, E-8, or E-9; or civilian employees GS-07, or above. The board Chair and a majority of the board shall normally be senior in rank to the persons directly involved.

C. Use of Reserve Component Personnel. A source of financial liability board members is Reserve Component commissioned officers; warrant officers; and enlisted members in grades E-7, E-8, or E-9 during their Reserve training sessions.

070503. Functions

The following are specific functions of a financial liability board:

A. Primary Function. The primary function of a financial liability board is to research, develop, assemble, record and analyze all available information relative to the loss. The board is required to formulate and clearly express consistent findings of facts, conclusions, and recommendations.

B. Collateral Function. A collateral function of the financial liability board, especially when requested by the appointing authority, is to afford a hearing to any person whose conduct or performance of duty may be subject to inquiry or who has direct interest in the inquiry.

070504. Final Action by the Financial Liability Board

The board Chair completes his or her action on the DD Form 200 as the financial liability officer and recommends relief from, responsibility, or assessment of financial liability.

0706 PREPARATION OF DD FORM 200

070601. Purpose

The purpose of this section is to provide instructions for the preparation of the DD Form 200 "Financial Liability Investigation of Property Loss." Table 7-1 provides an example of a DD Form 200. The DD Form 200 is used to document the financial liability process for lost, damaged or destroyed government property. When completed, the DD Form 200 is the official document to support the establishment of debts, relief from accountability, and adjustment of accountable property records, supply system stock and financial records.

070602. Instructions for Preparation

A. Date Initiated. Self-explanatory.

B. Inquiry and/or Investigation Number. Number assigned to the inquiry and/or investigation in accordance with DoD Component instructions.

C. Date Loss Discovered. Self-explanatory.

D. National Stock Number (NSN). Enter the NSN(s), manufacturer's part number, or other identification number(s), in numerical sequence. If not applicable, enter the word "none."

E. Item/Property Description. Enter the nomenclature of the item(s) including any serial number(s), model number(s), controlled inventory item, etc. If the item is nonstandard, give a brief description sufficient for identification. If only a portion of an end item is damaged, describe the end item, fully, and then describe the damaged parts. If additional space is needed, a continuation sheet may be used. For Real Property, provide the facility number, address, location, room number, and a description of the damage.

F. Quantity. Enter the number of units and unit of issue (e.g., 1 each, 2 dozen, 5 pair, etc.).

G. Unit Cost. Enter the cost per unit shown in official catalogs, supply bulletins, or accountable property records. The specific reference should be indicated for audit trail purposes.

H. Total Cost. Enter the total cost of all units of each article listed (block 6 x block 7). For real property enter the estimated cost to repair/replace or if the cost to repair exceeds the plant replacement value, the estimated cost to purchase and install the asset.

I. Circumstances Under Which Property Was Lost, Damaged, Destroyed, or Stolen. Enter a complete statement of the facts, including the date and place of the incident. Include the name, grade, and social security number (SSN) of all persons directly involved. The statement must answer five basic questions of who, what, when, where and how. Identify any appropriate contract number(s), transaction number(s), control number(s), etc. Add as exhibits and identify alphabetically within the block, as needed.

J. Actions Taken to Correct Circumstances Reported in Block 9 and Prevent Future Occurrences. Include recommended actions by the accountable property officer and/or property custodian, and if appropriate by the financial liability officer, to the appointing and approving authorities.

K. Individual Completing Blocks 1 Through 10. Person conducting the inquiry.

L. Responsible Officer and/or Reviewing Authority. See definitions for "Responsible Officer" and "Reviewing Authority."

M. Appointing Authority. See section 0703 and definition for "Appointing Authority."

N. Approving Authority. See section 0703 and definition for "Approving Authority."

O. Findings and Recommendations of the Financial Liability Officer. Enter findings of the financial liability officer along with a recommendation regarding liability of the involved parties.

1. An indication that negligence on the part of the individual has not been determined.

2. A recommendation that the investigation be continued at some future time because of extenuating circumstances.

3. Recommendation for corrective actions.

4. Recommendation that the individuals involved in the loss, damage, destruction, or theft, be relieved of responsibility for the property when negligence cannot be established. State the facts on which the recommendations are based. Proper conclusions shall be drawn from available facts, not opinions or suspicions. The financial liability officer must sustain or refute the statements made in block 9 of the DD Form 200 and any other statements that are part of the inquiry and/or investigation. Do not use stereotyped phrases such as "loss or damaged in manner stated." The financial liability officer shall state in his or her own words how the loss or damage occurred based on the evidence obtained by the investigation.

5. As prescribed in paragraph 070210.A., include a computation of charges, when recommending financial liability. The computation should show how depreciation was calculated and other factors used in determining the loss, or reference should be made to the exhibit on which the computation is recorded. The results of the computation shall be entered in block 15.b.

6. Describe the disposition of the property. Once released by the financial liability officer or the appointing authority (when a financial liability officer is not appointed), property considered to be "uneconomically reparable" shall be disposed of in accordance with ***DoD 4160.21-M***, "Defense Materiel Disposition Manual."

7. Recommendations shall be entered immediately after the findings. The recommendation shall include:

a. Financial liability to be assessed or relief from responsibility and accountability. Also, enter this information in block 15.d. For a military member enter monthly basic pay and for a civilian enter one-twelfth of the yearly salary.

b. Disposition instructions for any unserviceable property not previously sent to the Defense Reutilization and Marketing Service.

c. State clearly the full name, grade, SSN, and the amount of the charge, when recommending financial liability.

d. State if the DD Form 200 may cover the loss, damage, destruction, or theft of property for which a claim is also being processed.

8. The recommendations must represent a logical and equitable decision developed from the facts cited in the evidence and findings.

9. Sign the DD Form 200 in block 15.j, at the end of the recommendations. (See sections 0704 and 0705, and definition for "Financial Liability Officer.")

P. Individual Charged. See paragraph 070404.B.10. Enter in block 16.d, the individual's name and rank or grade when financial liability is assessed. Enter in block 16.e, that individual's SSN. Initiate collection action by forwarding a copy of the approved DD Form 200 by transmittal document to the servicing disbursing officer. All continuation sheets are to be included and the attachments and exhibits excluded. The approved DD Form 200 is sufficient to hold a person financially liable and establish a debt.

Q. Accountable Property Officer. See definition. Record document numbers used to adjust property and financial records. All other blocks are self-explanatory.

0707 GOVERNMENT HOUSING LIABILITY

070701. Purpose

This section describes the liability of military personnel for the loss, damage, or destruction of government housing (family housing or unaccompanied personnel housing). It describes minimum requirements for assessing financial liability when government housing, including equipment or furnishings therein, is lost, damaged or destroyed. Government housing within the scope of this chapter includes both permanent and temporary quarters either owned by, or controlled by, the U.S. Government.

070702. Policy

A. Determination of Proximate Cause. A member of a Military Service shall be held liable to the United States for the loss, damage or destruction of family housing or an unaccompanied personnel housing unit assigned to such member, including equipment and furnishings therein, when a determination is made that the loss, damage or destruction was proximately caused by the abuse or negligence of the member, a dependent of the member, or a guest either of the member or the member's dependent.

B. Financial Liability of Military Members. Financial liability against military personnel for loss, damage or destruction of government housing, including equipment and furnishings therein, is assessed for the full amount of the loss if the loss, damage or destruction was proximately caused by gross negligence or abuse. Liability of military members for damage to government housing and related equipment and furnishings is prescribed in ***10 U.S.C. 2775*** and ***DoD 4165.63-M***, "DoD Housing Management."

C. Notification and Examination. Occupants who are assessed financial liability for loss of, or damage to, assigned government housing shall be notified in accordance with paragraph 070209. A member's failure to respond shall not preclude the government from completing a DD Form 200.

D. Determination of Negligence. Determinations must be made on whether the loss or damage to government housing was proximately caused by simple or gross negligence or abuse of the member, the member's dependents, or guests of either. Such a determination leads to the following considerations:

1. When the proximate cause of the loss or damage is determined to be gross negligence or abuse, the financial liability of the member is the total amount of the loss to the government. Where a member's dependent or guest causes a loss or damage through gross negligence or abuse, the member is fully liable for the loss or damage if the member was "on notice" of the particular risk involved and failed to exercise reasonable, available opportunities to prevent or limit the loss or damage. In the absence of evidence to the contrary, the member is presumed to have been "on notice" of any risks attending the activities of family members and guests on the premises.

2. Where simple negligence is determined to be the proximate cause of the loss or damage, the financial liability of the member is limited to an amount equal to basic pay for one month at the rate in effect at the time of the loss, or the amount of the loss, whichever is less.

0708 SUPPLY SYSTEM MATERIEL

070801. Purpose

This section applies to personal property defined as "supply system materiel," and contains procedures to be followed when inventory losses are discovered. The provisions of this chapter are applicable to all activities accountable for supply system materiel including stock fund and other inventories (e.g., appropriated fund, etc.).

070802. Inventory

Physical inventories shall be taken in accordance with the provisions contained herein and in ***DoD Instruction 4140.1***, "DoD Supply Chain Materiel Management Regulation."

A. Discrepancies. Despite the safeguards established by DoD Components in the care and maintenance of supply system stocks, discrepancies may occur between stock record balances and materiel in storage. These discrepancies are subject to post-count validation, pre-adjustment research, and causative research, as prescribed in ***Chapter 7, DoD 4000.25-2-M*** "Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP)."

B. Adjustments. An adjustment shall be made to the inventory and financial records to bring those records into balance after appropriate research. Care should be taken to process the transactions correctly (e.g., an issue posted twice should be corrected by a reversal (credit transaction), not as a loss of inventory). These types of corrected discrepancies are referred to as resolved discrepancies. For unresolved inventory losses, an inventory adjustment document or a DD Form 200 shall be used to substantiate adjusting the inventory and accounting records to the stock on hand and to provide relief from property accountability or responsibility.

C. Causative Research

1. Causative research shall be conducted for all inventory discrepancies that meet any of the criteria specified in ***DoD 4000.25-2-M*** "Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP)." For inventory discrepancies which do not meet the criteria for performing causative research, a justification for adjusting the inventory and accounting records and relief from property accountability shall be provided by means of an inventory adjustment document in accordance with section D., below.

2. The purpose of this research is to: establish liability or provide relief from accountability for the accountable property officer and/or property custodian for the loss, damage destruction, or theft of supply system materiel; and determine if the loss to the government was proximately caused by the negligence or abuse of individuals. If an individual accepts

responsibility for the loss, damage destruction, or theft of supply system materiel and voluntarily reimburses the government, a DD Form 200 is not required. The collection voucher may be used to adjust the financial and accountable property records.

D. DD Form 200 Used in Substantiating Inventory Loss Adjustments. When authorized, the reviewing authority may approve physical inventory adjustments equal to or less than $50,000, when negligence or abuse is not evident or suspected. When negligence or abuse is evident or suspected, the reviewing authority shall initiate an investigation in accordance with paragraph 070204. The investigation shall be used to substantiate adjusting the stock record, and providing relief from property accountability.

070803. Resolved Inventory Losses

A. Accountability. The data developed by post-count validation, pre-adjustment research, and causative research shall be utilized to prepare correcting documentation so that the inventory accounting systems may be updated. These adjustments shall be processed in accordance with this regulation and ***DoD 4000.25-2-M***.

B. Statistics. This type of data shall be classified in accordance with Chapter 7 of ***DoD 4000.25-2-M*** and the data accumulated to identify trends and problem areas.

070804. Unresolved Inventory Losses Not Meeting the Criteria for an Investigation

A. Accountability. Relief from property accountability and justification for the adjustment of the inventory and accounting records to the inventory on hand shall be provided by means of an inventory adjustment document. The detail data requirements and procedures for preparing and processing the inventory adjustment document shall be as prescribed in appropriate DoD Component implementing documents.

B. Authority for Adjustment. If the cause or probable cause of the discrepancy has not been determined, and the discrepancy does not qualify for causative research, this paragraph shall be cited as authority for relieving the accountable officer of accountability.

C. Statistics. See paragraph 070803.B, above.

070805. Unresolved Inventory Losses - Causative Research Indicates No Personal Responsibility

A. Accountability. See paragraph 070804.A, above.

B. Statistics. The type of inventory losses shall be categorized and accumulated by category to identify trends and/or problem areas in accounting or supply system procedures in accordance with Chapter 7 of ***DoD 4000.25-2-M***.

070806. Unresolved Inventory Losses - Causative Research Indicates Evidence of Personal Responsibility

A. Method of Adjustment. A financial liability investigation shall be used to support adjustment of the inventory and accounting records to the actual inventory on hand and to relieve the accountable officer of accountability.

B. Statistics. See paragraph 070805.B.

070807. Criteria for an Investigation

A financial liability investigation shall be initiated on all unresolved inventory discrepancies for each stock number that meets any of the following criteria:

A. Gains and losses of sensitive items (e.g., drugs designated as controlled substances and assigned to one of five schedules by the Drug Enforcement Agency, Department of Justice, under the Comprehensive Drug Abuse, Prevention, and Control Act of 1970 and any other drugs designated for local control by the Medical Treatment Facility Commander, precious metals, hazardous materiel, small arms, ammunition, explosives) regardless of dollar value.

B. Gains and losses of classified items, regardless of dollar value.

C. Gains and losses of pilferable items when the unit price times the quantity is equal to or greater than $2,500.00 for each stock number.

D. Any inventory loss when there is an indication or suspicion of fraud, theft or negligence.

E. Repetitive losses when the cumulative dollar value of the inventory losses equals or exceeds the projected cost of the financial liability investigation.

F. Bulk petroleum when the loss exceeds the stated allowance.

070808. Procedures for an Investigation

A. Accountability and Responsibility. For unresolved inventory losses which meet the criteria set forth in paragraphs 070806 and 070807, above, a ***DD Form 200*** is required to relieve accountable property officer of property custodian from responsibility, to substantiate adjustment of the inventory and accounting records to the inventory on hand, and to identify problem areas or trends for corrective actions. A financial liability investigation should be conducted by a person who is not directly supervised by the accountable property officer or property custodian. It shall include, as a minimum, the following actions:

1. Review and evaluate existing procedures for their adequacy in protecting property.

2. Determine compliance with prescribed regulations and procedures.

3. Determine who is involved and what responsibilities they have been assigned.

4. Determine whether simple or gross negligence or abuse is evident.

5. Review of causative research conducted.

6. Determine the cause or the probable cause of the inventory loss.

7. Recommend actions to minimize recurrence of the inventory loss.

B. Review the Adequacy of Procedures in Protecting Property

1. Physical Security Review. Determine if storage facilities are adequate to ensure proper safeguarding of all items, especially those items that are sensitive, classified, or subject to pilferage. The review should include an evaluation of compliance with regulatory requirements, procedures to determine degree of susceptibility of items to theft or pilferage, and lessons to be learned from losses that have been experienced.

2. Receipt, Storage, and Shipment Procedures Review. Determine if adequate procedures exist to prevent loss from theft or pilferage during receipt, storage, or shipment. The degree of protection should be commensurate with statutory and regulatory requirements, the degree of susceptibility to theft or pilferage, and experienced losses.

C. Determine Procedural Compliance. Determine if the responsible persons have complied with existing procedures to protect government property. If they have not complied with the procedures, determine if they failed to comply or were instructed not to comply.

0709 PETROLEUM PRODUCT/LOSSES

070901. Loss Expectancy

Some losses are unavoidable in the handling and storage of volatile products. These losses can be controlled by management actions to limit the rates of loss for such products so that standards are not exceeded. For this reason, ***DoD 4140.25-M***, Volume II, Chapter 9, "Management of Bulk Petroleum Products, Storage and Distribution Facilities," provides authorized loss allowances to accommodate product losses normally expected. Losses are categorized as in-transit, operating, and determinable. These categories are defined in Volume II, Chapter 9 of ***DoD 4140.25-M***. However, any trends, such as a pattern of losses within the allowable percentage, shall require further research and investigation.

070902. In-Transit Losses

Losses of product received at DoD activities are allowable only when the actual loss is within the authorized allowance. When a loss exceeds the allowance, a portion of the loss is not allowable, and the entire loss will be reported as prescribed in Volume II, Chapter 9, of DoD 4140.25-M. Causative research, as described in paragraph 070802.C, shall be performed if there is any suspicion of negligence or abuse on the part of U.S. Government personnel who contributed to the loss.

070903. Operating Losses

Terminal operating loss allowances for various types of petroleum products are prescribed in Volume II, Chapter 9, of DoD 4140.25-M. When the loss exceeds the stated allowance, a portion of the loss is not allowable; and the entire loss must be researched and reported in accordance with the provisions in section 0708.

070904. Determinable Losses

Losses which occur from determinable causes (such as tank overflows, spills, pipeline breaks, fire or unrecoverable tank bottom) can normally be precluded or greatly minimized by effective management. These losses shall be researched and reported in accordance with section 0708.

Table 7-1. FINANCIAL LIABILITY INVESTIGATION OF PROPERTY LOSS

FINANCIAL LIABILITY INVESTIGATION OF PROPERTY LOSS

PRIVACY ACT STATEMENT

AUTHORITY: 10 USC 2775; DoD Directive 7200.11; EO 9397.

PRINCIPAL PURPOSE(S): To officially report the facts and circumstances supporting the assessment of financial charges for the loss, damage, or destruction of DoD-controlled property. The purpose of soliciting the SSN is for positive identification.

ROUTINE USE(S): None.

DISCLOSURE: Voluntary; however, refusal to explain the circumstances under which the property was lost, damaged, or destroyed may be considered with other factors in determining if an individual will be held financially liable.

1. DATE INITIATED *(YYYYMMDD)*	2. INQUIRY/INVESTIGATION NUMBER	3. DATE LOSS DISCOVERED *(YYYYMMDD)*

4. NATIONAL STOCK NO.	5. ITEM DESCRIPTION	6. QUANTITY	7. UNIT COST	8. TOTAL COST
				0.00

9. CIRCUMSTANCES UNDER WHICH PROPERTY WAS *(X one)* ☐ LOST ☐ DAMAGED ☐ DESTROYED
(Attach additional pages as necessary)

10. ACTIONS TAKEN TO CORRECT CIRCUMSTANCES REPORTED IN BLOCK 9 AND PREVENT FUTURE OCCURRENCES *(Attach additional pages as necessary)*

11. INDIVIDUAL COMPLETING BLOCKS 1 THROUGH 10

a. ORGANIZATIONAL ADDRESS *(Unit Designation, Office Symbol, Base, State/Country, Zip Code)*	b. TYPED NAME *(Last, First, Middle Initial)*	c. DSN NUMBER
	d. SIGNATURE	e. DATE SIGNED

12. *(X one)* ☐ **RESPONSIBLE OFFICER (PROPERTY RECORD ITEMS)** ☐ **REVIEWING AUTHORITY (SUPPLY SYSTEM STOCKS)**

a. NEGLIGENCE OR ABUSE EVIDENT/ SUSPECTED *(X one)* ☐ YES ☐ NO	b. COMMENTS/RECOMMENDATIONS	
c. ORGANIZATIONAL ADDRESS *(Unit Designation, Office Symbol, Base, State/Country, Zip Code)*	d. TYPED NAME *(Last, First, Middle Initial)*	e. DSN NUMBER
	f. SIGNATURE	g. DATE SIGNED

13. APPOINTING AUTHORITY

a. RECOMMENDATION *(X one)* ☐ APPROVE ☐ DISAPPROVE	b. COMMENTS/RATIONALE	c. FINANCIAL LIABILITY OFFICER APPOINTED *(X one)* ☐ YES ☐ NO
d. ORGANIZATIONAL ADDRESS *(Unit Designation, Office Symbol, Base, State/Country, Zip Code)*	e. TYPED NAME *(Last, First, Middle Initial)*	f. DSN NUMBER
	g. SIGNATURE	h. DATE SIGNED

14. APPROVING AUTHORITY

a. RECOMMENDATION *(X one)* ☐ APPROVE ☐ DISAPPROVE	b. COMMENTS/RATIONALE	c. LEGAL REVIEW COMPLETED IF REQUIRED *(X one)* ☐ YES ☐ NO ☐ N/A
d. ORGANIZATIONAL ADDRESS *(Unit Designation, Office Symbol, Base, State/Country, Zip Code)*	e. TYPED NAME *(Last, First, Middle Initial)*	f. DSN NUMBER
	g. SIGNATURE	h. DATE SIGNED

DD FORM 200, OCT 1999 PREVIOUS EDITION IS OBSOLETE. Reset

15. FINANCIAL LIABILITY OFFICER		
a. FINDINGS AND RECOMMENDATIONS *(Attach additional pages as necessary)*		
b. DOLLAR AMOUNT OF LOSS	c. MONTHLY BASIC PAY	d. RECOMMENDED FINANCIAL LIABILITY
e. ORGANIZATIONAL ADDRESS *(Unit Designation, Office Symbol, Base, State/Country, Zip Code)*	f. TYPED NAME *(Last, First, Middle Initial)*	g. DSN NUMBER
	h. DATE REPORT SUBMITTED TO APPOINTING AUTHORITY *(YYYYMMDD)*	i. DATE APPOINTED *(YYYYMMDD)*
	j. SIGNATURE	k. DATE SIGNED

16. INDIVIDUAL CHARGED		
a. I HAVE EXAMINED THE FINDINGS AND RECOMMENDATIONS OF THE FINANCIAL LIABILITY OFFICER AND *(X one)*		
☐ Submit the attached statement of objection.	☐ Do not intend to make such a statement.	
b. I HAVE BEEN INFORMED OF MY RIGHT TO LEGAL ADVICE. MY SIGNATURE IS NOT AN ADMISSION OF LIABILITY.		
c. ORGANIZATIONAL ADDRESS *(Unit Designation, Office Symbol, Base, State/Country, Zip Code)*	d. TYPED NAME *(Last, First, Middle Initial)*	e. SOCIAL SECURITY NUMBER
f. DSN NUMBER	g. SIGNATURE	h. DATE SIGNED

17. ACCOUNTABLE OFFICER		
a. DOCUMENT NUMBER(S) USED TO ADJUST PROPERTY RECORD		
b. ORGANIZATIONAL ADDRESS *(Unit Designation, Office Symbol, Base, State/Country, Zip Code)*	c. TYPED NAME *(Last, First, Middle Initial)*	d. DSN NUMBER
	e. SIGNATURE	f. DATE SIGNED

DD FORM 200 (BACK), OCT 1999

Reset

DEFINITIONS

1. Abuse. Willful misconduct or deliberate unauthorized use.

2. Accountability. The obligation imposed by law, lawful order, or regulation, accepted by an organization or person for keeping accurate records, to ensure control of property, documents or funds, with or without physical possession. The obligation, in this context, refers to the fiduciary duties, responsibilities, and obligations necessary for protecting the public interest; however, it does not necessarily impose personal liability upon an organization or person.

3. Accountable Property Officer (APO). Comparable terms include: Army -- Supply Support Accountable Officer/Property Book Officer; Navy -- Personal Property Manager; Air Force -- Accountable Officer/Chief of Supply/Chief of Materiel Management; Marine Corps -- Accountable Officer; Defense Logistics Agency – Accountable Property Officer. An individual who, based on his or her training, knowledge, and experience in property management, accountability, and control procedures, is appointed by proper authority to establish and maintain an organization's accountable property records, systems, and/or financial records, in connection with Government property, irrespective of whether the property is in the individual's possession.

4. Accountable Property. A term used to identify property recorded in the Accountable Property System of record.

5. Accountable Property Record. The record contained within the accountable property system of record.

6. Acquisition Cost. The amount, net of both trade and cash discounts, paid for the property, plus transportation costs and other ancillary costs.

7. Appointing Authority. An individual designated in writing by the approving authority. The approving authority may act as the appointing authority. The appointing authority appoints financial liability officers, if required; approves or disapproves the recommendations of the accountable property officer, reviewing authority, or financial liability officer; and recommends actions to the approving authority. The appointing authority is normally senior to the reviewing authority, accountable property officer, and financial liability officer.

8. Approving Authority. The approving authority makes determinations to either relieve involved individuals from responsibility and/or accountability or approve assessment of financial liability. The approving authority may act as the appointing authority or designate an appointing authority in writing. DoD Component regulations shall designate who may serve as the approving and appointing authority. The approving authority is normally senior to the appointing authority.

9. Collective Liability. Where more than one individual may be liable for a debt, both collectively or individually.

10. Commander. An individual vested with command authority in a DoD Component.

11. Contractor Acquired Property (CAP). Any property acquired, fabricated, or otherwise provided by the contractor for performing a contract, and to which the Government has title. Although the Government may have title, CAP has not yet been delivered. CAP that is subsequently delivered to the Government for use on the same or another contract is considered Government Furnished Property. See Definition 18, "Government Furnished Property."

12. Controlled Inventory Items. Those items designated as having characteristics which require that they be identified, accounted for, secured, segregated, or handled in a special manner to ensure their safekeeping and integrity. Controlled inventory items in descending order of the degree of control normally exercised are:

13.

a. Classified Items. Materiel which requires protection in the interest of national security.

b. Sensitive Items. Materiel which requires a high degree of protection and control due to statutory requirement or regulations, such as narcotics and drug abuse items; precious metals; items which are of a high value, highly technical, or a hazardous nature; and small arms, ammunition, explosives, and demolition materiel.

c. Pilferable Items. Materiel having a ready resale value or application to personal possession and which is, therefore, especially subject to theft

14. Culpability. Determination of fault.

15. Deliberate Unauthorized Use. Willful or intentional use without right, permit, or authority.

16. Financial Liability. The statutory obligation of an individual to reimburse the government for lost, damaged, or destroyed government property as a result of negligence or abuse.

17. Financial Liability Officer. An individual who is appointed in writing by the appointing authority to conduct an investigation to determine responsibility for loss, damage, or destruction of government property. Individuals so appointed shall not be the accountable property officer, property custodian, or otherwise have any direct interest in the property being investigated. The individual shall be a commissioned officer; warrant officer; enlisted member in grades E-7, E-8, or E-9; or a civilian employee GS-07, or above. However, the financial liability officer is normally senior to the person(s) directly involved with the discrepancy. The appointing authority may act as the financial liability officer.

18. Government Furnished Property. Any property in the possession of, or directly acquired by, the Government and subsequently furnished to the contractor for performance of a contract. Contractor Acquired Property that is subsequently delivered to the Government for use on the same or another contract is considered Government Furnished Property. See Definition 11, "Contractor Acquired Property."

19. Gross Negligence. An extreme departure from the course of action to be expected of a reasonably prudent person, all circumstances being considered. The act is characterized by a reckless, deliberate, or wanton disregard of foreseeable consequences.

20. Inquiry. An informal proceeding designed to obtain data and/or information.

21. Investigation. A formal proceeding for determining the facts and circumstances related to loss, damage, destruction, or theft of government property; determining the present condition of such property; receiving recommendations as to disposition, retention, and further accountability for such property; or determining the responsibility for loss, gain, damage, or destruction of government property.

22. Liability. The state of being responsible or answerable for the loss, gain, damage, or destruction of government property.

23. Negligence. The failure to act as a reasonable prudent person would have acted under similar circumstances. An act or omission that a reasonably prudent person would not have committed or omitted under similar circumstances and which is the proximate cause of the loss of, damage to, or destruction of government property. Failure to comply with existing laws, regulations, or procedures may be considered as evidence of negligence.

24. Probable Cause. Reasonable grounds for belief.

25. Property Custodian. Also known as Responsible Officer. An individual appointed by the Accountable Property Officer, who accepts custodial responsibility for property, typically by signing a hand receipt. The property custodian is directly responsible for the physical custody of accountable property under their control. See Definition 29, "Responsible Officer."

26. Proximate Cause. The cause which, in a natural and continuous sequence of events unbroken by a new cause, produced the loss or damage. Without this cause the loss, gain, or damage would not have occurred. It is further defined as the primary moving cause, or the predominate cause, from which the loss, gain, or damage followed as a natural, direct, and immediate consequence.

27. Record. All forms of information (e.g., narrative, graphic data, and computer memory) registered in either temporary or permanent form so that it can be retrieved, reproduced, or preserved.

28. Research. An investigation of potential or actual discrepancies between physical count and recorded balances. The purpose of the research is to determine the correct balance and determine the cause of discrepancies. There are three types of research.

29. Responsible Officer. An individual appointed by the Accountable Property Officer, who accepts custodial responsibility for property, typically by signing a hand receipt. The property custodian is directly responsible for the physical custody of accountable property under their control. Also known as Property Custodian. See Definition 25, "Property Custodian."

    a. Postcount Validation. A comparison of physical count with potential recorded balances or another count, with consideration of transactions that have occurred recently. The purpose of postcount validation is to determine the validity of the count. Postcount validation research ends when the accuracy of the count has been verified or when any necessary recounts have been taken.

    b. Preadjustment Research. A review of potential discrepancies, which involves the consideration of recent transactions and verification of catalog data. The purpose of preadjustment research is to determine the correct balance. Preadjustment research ends when the balance has been verified or the adjustment quantity determined. See ***DoD 4140.1-R***.

c. Causative Research. An investigation of discrepancies (i.e., gains and losses) consisting of (as a minimum) a complete review of all transactions to include supporting documentation: catalog change actions, shipment discrepancies, and unposted or rejected documentation occurring since the last completed inventory; the last location reconciliation which included quantity; or back one year whichever is sooner. The purpose of causative research is to identify, analyze, and evaluate the cause of inventory discrepancies with the aim of eliminating repetitive errors. Causative research ends when the cause of the discrepancy has been discovered or when, after review of the transactions, no conclusive findings are possible.

30. Responsibility. The requirement placed on an organization or individual who acts as the custodian of another individual's property by controlling, supervising and managing the property in their care

31. Reviewing Authority. An individual designated in writing by the approving authority to review and analyze the results of supply system stock research.

32. Simple Negligence. See Definition 23, "Negligence."

33. Standard Price. The unit price of an item, as it is recorded in the Standard Catalog for use in financial and accountable records of the holding Service of Agency. (An item not included in the appropriate Service or agency pricing catalog shall be priced at original cost, if available, or if not known, at fair market value, as stated in paragraph 070208.A.2.)

34. Stock Record. A perpetual inventory form of record that shows by nomenclature, the quantities received, issued, and the balance on hand. The stock record shall show by item the receipt, issue, and transfer of accountability of property; the balances on hand; and such other identifying or stock control data as required. See ***DoD 4140.1***.

35. Supply System Materiel. Supply system materiel refers to those inventories, wholesale and below wholesale, where a stock record account is required to be maintained. See ***DoD 4140.1***.

36. Value. The financial value of an item. Typically, the original acquisition cost or, in the case of capital equipment, the full cost or net book value.

37. Willful Misconduct. Intentional damage, destruction, misappropriation, or loss of government property.

VOLUME 12, CHAPTER 8 "FOREIGN NATIONAL EMPLOYEES SEPARATION PAY ACCOUNT, DEFENSE"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated August 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Multiple	Updated hyperlinks, email addresses, and format to comply with current guidance.	Update
080201	Moved paragraph 080206 to paragraph 080201 and renumbered 080207 and 080208.	Update
080207.B	Deleted the "National Defense Authorization Act for Fiscal Years 1992, 1993, and 1995" and added Title 10, United States Code, Section 1581 "Foreign National Employees Separation Pay Account."	Update

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CHAPTER 8

FOREIGN NATIONAL EMPLOYEES SEPARATION PAY ACCOUNT, DEFENSE

0801 OVERVIEW

080101. Purpose

This chapter specifies policy and procedures applicable to the Foreign National Employees Separation Pay Account, Defense.

080102. Background

A. The National Defense Authorization Act for Fiscal Years 1992 and 1993 authorized a trust fund account to accumulate funds to finance obligations for separation payments to foreign national employees of the Department of Defense (DoD). The "National Defense Authorization Act of 1995" extended this authorization to include foreign nationals employed by a foreign government, for the benefit of the Department of Defense, under any of the following agreements that provide for payment of separation pay: (1) a contract, (2) a treaty, or (3) a memorandum of understanding with a foreign nation. Title ***10 United States Code (U.S.C.) 1581*** "Foreign National Employees Separation Pay Account," provides for the establishment and operation of this account. Use of the term "foreign national employees" in this chapter is meant to apply to both foreign national direct and indirect hire employees.

B. Except as provided herein, all separation payments for DoD foreign national employees shall be made from this account. All amounts that were obligated for such separation payments, but not expended before enactment, shall be transferred to this account. Similar amounts obligated after enactment shall also be transferred into this account on a quarterly basis. Amounts in the account remain available until expended.

C. This guidance applies to all DoD appropriations. This guidance does not apply to activities under the Defense Working Capital Fund (WCF). Defense WCF activities shall continue to make necessary foreign national employee severance payments under established Defense WCF procedures. This guidance also does not apply to the Foreign Military Sales (FMS) Trust Fund. The FMS Trust Fund activities shall continue to accrue and disburse separation pay to their foreign national employees from the FMS Trust Fund.

0802 POLICY AND PROCEDURES

*080201. Calculations

Amounts to be obligated for foreign national employees separation pay shall be determined and calculated at the installation level in accordance with applicable host country agreements. These amounts shall be obligated in the full amount of the liability that accrues during the fiscal year, without regard to whether the amount is currently payable. Disbursement of these amounts shall be made from the Foreign National Employees Separation Pay Account,

Defense. The appropriation symbol for the Foreign National Employees Separation Pay Account, Defense is 97X8165. The applicable Treasury receipt account is 97R8165.001.

080202. Pay Accruals

Foreign national employee separation pay accruals (obligations) shall be transferred quarterly to the Foreign National Employees Separation Pay Account, Defense. Such amounts are to be transferred via a Standard Form (SF) 1081 "Voucher and Schedule of Withdrawals and Credits."

080203. Director, Defense Finance and Accounting Service (DFAS)

The Director, Defense Finance and Accounting Service (DFAS), shall administer the account as well as perform related accounting functions.

080204. Administrative Subdivisions

Administrative subdivisions shall be established within the account for each DoD Component that budgets for foreign national employee separation pay. Deposits into and payments from the account shall be recorded in the applicable DoD Component subdivision.

080205. Disbursements

Except for those organizations operating within the Defense WCF and the FMS Trust Fund, all separation payments for foreign national employees paid from DoD appropriations shall be disbursed from the Foreign National Employees Separation Pay Account. Requests for authorization to disburse from this account shall be forwarded to the appropriate servicing DFAS site. Forward a copy of the backup documents to DFAS Indianapolis - Accounting Operations at DFAS-IN.FOREIGN.NATIONAL.SEPARATION@dfas.mil.

080206. Transfers

Transfers into the Foreign National Employees Separation Pay Account, Defense shall be made as follows:

A. All amounts accrued (obligated) for foreign national employee separation pay liability during each fiscal year by any DoD Component must be transferred into the account quarterly via an SF 1081. Forward a copy of the back-up documents to DFAS Indianapolis - Accounting Operations at DFAS-IN.FOREIGN.NATIONAL.SEPARATION@dfas.mil.

*B. When payments from a DoD Component's subdivision of the account exceed the balance in that Component's subdivision, additional amounts shall be obligated from funds otherwise available to a DoD Component and subsequently transferred into the account under authority provided in the ***10 U.S.C. 1581***. These transfers shall equal the amount of the payment in excess of the balance of the DoD Component's subdivision of the account, plus any amounts accrued but not currently payable.

C. Each DoD Component, in conjunction with the Director, DFAS, or designee, must perform at least an annual review of the amounts in its respective account subdivision and compare such amounts to its foreign national separation pay liabilities to ensure sufficient funds have been obligated for future payment. Both parties must certify to the accuracy of the information. This annual review shall occur each April. DFAS and the other DoD Components also must maintain an audit trail of accounting records and assure the establishment of an effective internal control system for the entire account.

080207. Deobligations

Each DoD Component must notify its supporting DFAS site of all deobligation transactions, adjustments and corrections, in a timely and accurate manner. The respective site will record adjustments and corrections in the accounting records.

080208. Availability of Deobligated Amounts

Amounts deobligated by DoD Components shall remain in the account for a period of 2 years from the date of deobligation for recording, adjusting, and liquidating amounts properly chargeable to the liability of the respective DoD Component. Any such deobligated amount remaining after the 2-year period shall be canceled.

0803 SUBSEQUENT DISBURSEMENTS

080301. Validation of Funds Availability

When approved by DFAS, disbursements for foreign national employee separation payments may continue to be made by local disbursing offices, including the Department of State, using DoD cross-disbursement procedures as applicable. Each DoD Component and non-DoD office (e.g., Department of State) must coordinate its disbursement/cross-disbursement actions with the supporting DFAS site to validate the availability of funds prior to disbursement. A positive balance in the account is necessary prior to payment; therefore, both DoD and non-DoD activities will verify from the supporting DFAS site that sufficient funds are available prior to submitting vouchers to servicing disbursing offices for employee payments.

080302. Cross-Disbursements

When cross-disbursements procedures are used, the appropriate DFAS site shall be advised prior to each actual disbursement.

0804 RESPONSIBILITIES

080401. DFAS Indianapolis - Accounting Operations

The DFAS Indianapolis - Accounting Operations shall:

A. Oversee the recording and reporting of all required accounting information. Perform the required reporting and reconciliation of cash in the United States Treasury.

B. Maintain a general ledger account structure with necessary subsidiary ledgers to support the various accounts. Also accurately maintain subsidiary ledgers and an audit trail. The detail subsidiary ledgers may remain at the supporting DFAS sites or DoD Component field level activities.

C. Process all accounting transactions through the accounting network in a timely and accurate manner.

D. Provide accurate and timely accounting service to customers, e.g., DoD Components, upon request. Coordinate the accounting process with other DFAS sites.

E. Perform a positive funds control function and alert the DoD Components when necessary to assure a timely transfer, based on available information.

F. Provide a point-of-contact with telephone and fax numbers to the DoD Components.

080402. Department of Defense Components

The DoD Components shall:

A. Determine the obligation amount and notify the supporting DFAS site in a timely manner to accomplish the quarterly transfer. This information will be the basis for future SF 1081 processing and for updating the accounting records.

B. Process the SF 1081 and return a copy to the supporting DFAS site in a timely manner.

C. Manage all pertinent agreements regarding foreign national employees. Forward a copy of all agreements and/or arrangements, including changes and amendments, to the supporting DFAS site.

D. Notify the supporting DFAS site of all changes, adjustments, or cancellations of previously reported information at least monthly.

E. Provide the supporting DFAS site with a point-of-contact, telephone and fax numbers, and current mailing address.

VOLUME 12, CHAPTER 9: "INTERNATIONAL AGREEMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated September 1996 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
090502.A	Deleted obligation determination	Clarification
090505.C	Deleted. Incorporated relevant guidance in paragraph 090505.A	Update

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CHAPTER 9

INTERNATIONAL AGREEMENTS

0901 OVERVIEW

090101. Purpose

This chapter establishes the financial procedures that shall be followed when DoD Components initiate, develop, and request formal review of international agreements and any annexes, appendices, amendments, or modifications thereto.

0902 GENERAL

090201. International Agreement Document

The term "international agreement" includes any document, among others, identified as an international agreement, memorandum of understanding, memorandum of agreement, memorandum of arrangement, exchange of notes, exchange of letters, or technical arrangement with one or more foreign governments (including their agencies, instrumentalities, or political subdivisions) or with an international organization. It does not include Foreign Military Sales (FMS) transactions and contracts entered into under the provisions of the Federal Acquisition Regulation or agreements financed with security assistance funds. The latter agreements are implemented under provisions identified in Volume 15 .

090202. International Agreement Design For Coordination

Each international agreement submitted for coordination must contain a fiscal and legal memorandum in accordance with ***DoD Directive 5530.3***, "International Agreements," paragraphs 9.3.2 and 9.3.3, or a Summary Statement of Intent (SSOI) in accordance with ***DoD Instruction 5000.2***, "Operation of Defense Acquisition System," Enclosure 9, section E9.4.1 and the ***Defense Acquisition Guidebook***, Chapter 11, paragraph 11.2.2.1. The fiscal memorandum should identify all financial implications of the agreement and provide all information required for a complete understanding and analysis of those implications. The legal memorandum should identify the statutory authority for any obligation or expenditure of United States (U.S.) appropriated or nonappropriated funds involved in the agreement, as well as the legal basis for any use of U.S. Government property by or on behalf of a foreign government or international organization contemplated by the agreement. The SSOI, in addition to providing information on the fiscal implications and the legal basis for the agreement, provides information such as overview, objective, partner nations, project management, benefits/risks to the U.S., potential industrial base impact, procurement, information security and technology transfer, and points of contact. It is the responsibility of the proponent to provide the references and details supporting the agreement as requested by the approving officials.

0903 LEGAL CONSIDERATIONS

090301. General

Legal authority information is critical to the preparation of an agreement and is the basis for determining the legal authority for entering into the agreement and subsequent financial requirements. The legal information is used by financial management officials to review applicable international agreements and determine the existence of any special pricing or funding requirements. The legal information normally provides the following, as relevant:

A. Special Legal Pricing Requirements. The legislative authority to enter into an agreement also may mandate special pricing requirements on the U.S. Thus, the legal authority information should identify any peculiar pricing that must be reflected in the agreement. In the absence of specific legal authority to price on other than a full cost basis, DoD services and materials shall be priced on a full cost basis.

B. Legal Requirement for the Disposition of Monies Collected by the Department of Defense (DoD). Amounts collected as reimbursements for DoD material or services or new procurements must be deposited into the miscellaneous receipts of the U.S. Treasury, unless there is specific legal authority to credit collections to a DoD appropriation or fund. Options available for deposit of collections include deposit to an appropriation account, a commercial bank account, or a U.S. Treasury deposit account.

C. Legal Requirement for Recognition of Obligational Authority. Obligational authority can be created only to the extent that funds are collected and deposited into the U.S. Treasury and appropriated by Congress, unless there is express legal authority to create obligational authority on a dependable undertaking (contract authority) or other basis.

D. Special Prohibitions or Requirements on the Use of Appropriated Funds. The legal information section should identify any special prohibitions or requirements on the use of appropriated funds in support of the agreement. These special prohibitions are in addition to the standing prohibitions discussed in paragraph 090404. An example of a special requirement is when FMS credit funds are to be used to finance co-production or licensed production in a foreign country. The approval of such use requires the Secretary of State first to advise the Congress. (See section 42(b) of the Arms Export Control Act (***AECA***).)

0904 FISCAL CONSIDERATIONS

The fiscal information in the fiscal memorandum or SSOI documents the various financial considerations involved in implementing an international agreement. Specific considerations to be included in the fiscal information are as follows:

090401. Financing Sources for U.S. Costs

A. The fiscal information shall include a schedule of proposed financing sources to be used by the sponsoring DoD Component to implement the agreement. Financing

sources may be current appropriations or funds, provision for inclusion in the Future Years Defense Program (FYDP), or a statement of an intent to include in future program and/or budget requests or FYDPs. This information should be in a schedule form by FY as illustrated in Table 9-1. When current appropriations or funds are to be used as a financing source, the fiscal information section should identify the specific appropriation(s) or fund(s), the FYDP Program Element, the amount(s) available therein, and the respective amounts to be used. If the source of financing in current appropriations is in two accounts, the applicable sources of financing should be supported by details showing the specific financing appropriation account symbols.

B. If the proposed international agreement is, in fact, a firm order for goods or services, a formal certification of fund availability shall be included. Applicable funds shall be committed in accordance with Volume 3 of this Regulation.

090402. Provisions for the Disposition of Funds Collected

The fiscal information section should describe the planned disposition of any funds collected from the foreign country or international organization. The four possible alternatives for disposition of amounts collected are as follows:

A. Reimbursement to Financing DoD Appropriations or Funds. If reimbursements are to be returned to the financing DoD appropriation accounts, the fiscal memorandum or SSOI should identify the accounts to be reimbursed. This identification need not specify the fiscal year of the appropriations. Normal reimbursable accounting procedures shall apply.

B. Deposit in the U.S. Treasury as Miscellaneous Receipts. Without statutory authority to reimburse DoD appropriations or funds or to make other disposition, collections shall be deposited into the U.S. Treasury as miscellaneous receipts. The miscellaneous receipt account to be credited with such collections shall be specified by the depositor. DoD accounting systems should accumulate costs incurred on behalf of the other participant(s), establish an accounts receivable identified to the applicable miscellaneous receipts account and bill such amounts.

C. Deposit in a U.S. Treasury Deposit Account. If a Treasury deposit account has been established for the agreement, the fiscal memorandum shall identify the appropriate U.S. Treasury account symbol.

D. Deposit in a Commercial Bank Account

1. If execution of a proposed agreement contemplates use of a commercial bank account for a foreign country's funds, such a provision shall be included in the fiscal memorandum or SSOI with a description of intended bank account operation.

2. For contracts administered by DoD, two funding accounts must be cited: the DoD appropriation account for the U.S. share and the commercial bank account for the share of the other participant(s). The fund citation on the contract shall indicate the commercial

bank account rather than the normal accounting classification code. In this case, only the Department can draw down on the commercial bank account.

090403. Use of Amounts Credited

Foreign contributions collected by a DoD Component under terms of a cooperative project on a cost sharing basis from a foreign country or North Atlantic Treaty Organization (NATO) may be credited to a financing DoD appropriation or fund. Such contributions, however, are available only for the payment of the share of project expenses allocated to the foreign country or NATO making the contribution. The fiscal memorandum or SSOI should certify that such collections are to be used for purposes as prescribed herein. Payments for which such amounts are available include the following:

A. Payments to contractors and other suppliers (including DoD and other participants acting as suppliers) for necessary articles and services.

B. Payments for any damages and costs resulting from the performance or cancellation of any contract or other obligation.

C. Payments or reimbursements of other program expenses, including program office overhead and administrative costs.

D. Refunds to other participants.

090404. Availability of Financing Sources

There are two general prohibitions on the use of appropriated funds for international agreements. In addition, the legal section may identify other prohibitions. It is implicit in the identification of the financing sources set forth in paragraph 090401, that funds are available. It is desirable, however, to include in the fiscal information section a certification that all legal and policy prohibitions on the use of funds have been complied with. The general prohibitions are as follows:

A. No funds designated by the Congress for NATO or major non-NATO cooperative research and development under ***10 U.S.C. 2350a*** may be used to procure equipment or services from any foreign government, foreign research organization, or other foreign entity (including NATO participants) to the agreement.

B. U.S. Government military assistance funds (i.e. Foreign Military Financing, FMS loans, or FMS credits) are not available to finance a foreign participant's share of the cost of a cooperative project authorized by section 27 of the ***AECA*** or a cooperative development project with a major non-NATO ally under ***10 U.S.C. 2350a***.

090405. Financial and Nonfinancial Contributions

A contribution to an international agreement may be financial, nonfinancial, or both. Nonfinancial contributions may be in the form of defense articles or defense services needed for the cooperative project. In the event that the contribution is nonfinancial, a price analysis must be made to ensure the valuation assigned to such nonfinancial contribution is fair and reasonable. The fiscal information section shall summarize the results of such an analysis. The price analysis shall be based on prior cost experience for the nonfinancial contribution to be provided. When a foreign contribution is in the form of foreign currency or the awarding of a contract in a foreign country, the foreign currency contribution generally shall be valued at the exchange rate current at the time that the agreement is prepared. There shall be no subsequent modification of the valuation because of changes in the currency exchange rate. The fiscal memorandum or SSOI shall display the value of the currency in terms of U.S. dollars.

090406. Valuation of Nonfinancial Contributions

The value of all nonfinancial (background data/information, software, services, military and civilian labor, materiel, equipment, and facilities) contributions to an agreement is to be determined and considered for the evaluation of equitableness of the proposed project. The fiscal memorandum or financial section of the SSOI shall describe the nonfinancial contributions, indicate their value, and state the method used in determining the valuation. The nonfinancial contributions shall also be valued in terms of U.S. dollars in the fiscal memorandum or SSOI. The alternatives for determining the value of nonfinancial contributions are as follows:

A. Full Costs. Volume 11A, Chapter 1 provides guidance on the specific cost elements and identification methods for pricing sales to private parties. These same methods shall be followed in valuing nonfinancial contributions to an international agreement.

B. Other Than Full Costs. An agreement that requires the identification or use of less than full cost is normally authorized only when a reciprocal pricing agreement has been entered into by the Department and the other party (parties) to the agreement. The agreement should demonstrate that costs to be excluded mutually have not been considered by the other party in a determination of equitableness.

C. Cost Recoupment Waivers. In the event that less than full cost is being identified on the basis of a cost waiver, the date of the waiver and its approving authority must be provided in the SSOI. Copies of such waivers shall be made available on request.

090407. Reasonable and Necessary Expense

Any obligation of DoD appropriations under an international agreement must be supported by a showing that it is a reasonable and necessary expense required for the accomplishment of DoD missions, unless the use of DoD funds for other than a DoD mission specifically is authorized by statute.

0905 PROPOSED AGREEMENT

090501. Financial Policies and Appropriate Cross References

An agreement must contain language that implements the requirements established by U.S. law or regulation. This section discusses the financial policies that must be followed and provides appropriate cross references to other parts of this Regulation that provide more specific guidance.

090502. Fund Availability Qualification

A. Because agreements may involve future years in which the Congress has not yet appropriated funds, all agreements that require that DoD provide financial contributions will contain a funds availability clause to prevent a premature recording of an obligation against a future year's appropriation.

B. Examples of typical fund availability qualification clauses inserted in an international agreement follow:

1. "All undertakings of the U.S. Government under this agreement and any annexes, appendices, amendments, or modifications thereto, are expressly subject to the availability of U.S. funds for such purpose."

2. "The obligations of each participant under this agreement are subject to the availability of funds for those purposes."

090503. Reconciliation of Agreement Dollar Value to Financing Sources

An international agreement must set forth the dollar value of the agreement and portions of the dollar value that must be borne by each participant. This cost sharing may be in the form of monies or nonfinancial contributions. A preliminary requirement is to ensure that any obligations that the Department may be required to incur in implementation of the agreement have been identified in the fiscal information section. Nonfinancial contributions, described in the scope section, may be valued in the fiscal information section as part of the overall financial contributions, or described solely in the scope section without valuation in the financial information section. The financial information in the fiscal memorandum or SSOI will value all financial and nonfinancial contributions identified in the international agreement.

090504. Adherence to Prescribed Pricing Rules

A. In the event that an international agreement provides for nonfinancial contributions, there must be assurance that proper pricing procedures have been followed. Paragraphs 090405 and 090406 of this volume discuss special requirements that may be applicable to certain agreements. The text of an agreement must be reviewed carefully to ensure compliance with these paragraphs. An area of special pricing attention is charges for existing DoD technical data and computer software, or the use of equipment or facilities.

B. Preexisting technical data and computer software or such data developed outside the scope of an agreement is normally referred to as background data. When background data is a nonfinancial contribution, its value for determining equitability is its full (total) cost of development, adjusted for any special modifications, shipping, installation, etc. When the original development cost is unknown, background data should be valued at the cost of similar data, or the estimated cost to reconstruct the data.

C. Background data may be provided for use in furtherance of the purpose of an international agreement as long as it is used solely in connection with the purpose of the agreement. However, an agreement must specify that if the background information is used for any other purpose, approval of the originating participant must be obtained. The following specifics apply:

1. If the data are to be used for cooperative production purposes, the Department must receive appropriate financial credit as part of the DoD share of project cost, unless a cost recoupment waiver has been approved. Any provision for waiver should be identified in the fiscal information section.

2. If the data is to be used for development and production purposes, a technology transfer fee may be applicable for the development phase. This fee may be offset by a nonrecurring cost recoupment charge when production occurs.

3. All background information exchanged shall be used only for the purposes of the agreement, and is not to be transferred to any third party without the approval of the originating participant.

D. Equipment and facilities provided for use in the furtherance of the purpose of an international agreement should be based on an amortized rate. This amortized rate should be based on the cost and useful life of the equipment or facilities, and applied to the length of time the equipment or facilities will be used in the furtherance of the purpose of the international agreement. Standard rates, if available, can also be used.

090505. Determination of Program Equitableness

* A. Public law and DoD policy require that international agreements that involve cost sharing be equitable. The U.S. and the other participants to an international agreement shall contribute their equitable share of the full cost in funds or in defense articles or services needed to execute the cooperative project, and shall receive their equitable share of the results of the cooperative project in the form of defense articles or services. A participant's cost share should be proportionately equal to the benefits it receives. The following methodology for determining equitability is in direct response to those requirements and is based on the authority of the Under Secretary of Defense (Comptroller) in accordance with ***10 U.S.C. 135*** and ***DoD Directive 5118.3***, "Under Secretary of Defense (Comptroller)/Chief Financial Office, Department of Defense," for establishing and supervising the execution of uniform DoD policies, principles, and procedures for international financial matters, including the adequacy of international financial agreements.

B. The SSOI or fiscal memorandum to a proposed international agreement must clearly explain why the agreement is considered equitable. Prior to approval of all proposed international agreements, a determination of agreement equitability must be made by the approving DoD officials. It is critical that sufficient detail and information be provided to clearly demonstrate to approving officials that the proposed international agreement is equitable.

C. Calculation of Expected Contribution. In support of an equitability determination by DoD approving officials, the expected contribution should be calculated and presented in the SSOI or supporting documentation using one of the methods below:

1. Number of Participants Method. This is the preferred method of calculating the expected contribution for cooperative feasibility studies, research and development efforts, and test and evaluation programs and for agreements that establish management or oversight program offices. It is the method that should be employed when estimated unit production quantities are not known or the number of benefiting assets is equal. Under the number of participants method, the expected contribution is determined by dividing the agreement costs by the number of participating nations. An equitable share is where all participating nations equally share the total cost and the benefits. An example of this method is provided in Table 9-2.

2. Estimated Unit Production Method. This is the preferred method of calculating the expected contribution for an agreement that cooperatively establishes a program for the production of defense articles or weapon systems. It is used when specific unit production quantities are known or can be estimated. Under the unit production method, the shares are considered to be equitable when the contribution is proportionately equal to the share of the program production to be received. An example of this method is provided in Table 9-3. An equitability statement is required in the SSOI or accompanying documentation, and it must clearly present the calculation showing production estimates in relation to the total cost of the international agreement or production program.

3. Benefiting Assets. This is the preferred method of calculating the expected contribution when the number of benefiting assets are known or can be estimated. Under the benefiting assets method, the shares are considered to be equitable when the contribution is proportionately equal to the number of assets that will be benefited. An example of this method would be Table 9-3 where the number of units is replaced with benefiting assets. An equitability statement is required in the SSOI or accompanying documentation, and it must clearly present the calculation showing benefiting assets in relation to the total cost of the international agreement.

4. Other Methods of Calculation. There may be situations when neither of the above three methods apply, and another calculation is possible. For example, an agreement under the auspices of NATO, between the U.S. and other NATO nations, may require the U.S. to contribute an amount equal to the usual percentage of U.S. contributions to NATO. An equitability statement is required in the SSOI or accompanying documentation. The calculation and justification for use of that calculation must be clearly presented.

090506. Sales and Transfers of Technical Data Developed Under an Agreement

An agreement should provide that, in the event technical data developed under the agreement is sold or transferred to third parties, a charge may be made to recoup a pro-rata share of each participant's investment. The agreement also must provide that background information and data developed outside the program not be retransferred without the prior approval of the owner of the information or data, and contain provisions for any applicable charges. For third party sales and transfers, or the addition of new participants, any recoupment charge for the information or data developed under the program must be shared on the basis of the participants' financial contribution to the development of the item or technology. The amount of the charge and the procedures for assessing and distributing it shall be determined mutually by the participants prior to the approval of any such third party sale consistent with the policies and laws of each participant. The agreement also should provide that any participant may reduce or waive the assessment of its share of the levy in accordance with its laws and policies. Furthermore, the agreement should provide for rights of use of information developed under the agreement for defense purposes of a participant without payment to the other participant(s).

090507. Taxes, Duties, and Similar Charges

Agreements may provide that, insofar as existing laws and regulations permit, the participants shall use their best efforts to ensure that readily identifiable taxes, customs duties, and similar charges on the program components and services shall not be levied in connection with the project. If an agreement obligates the U.S. Government to bear the cost of any U.S. taxes, duties, or similar charges levied in connection with the program, the legal memorandum or SSOI must identify the legal authority for such U.S. obligation.

090508. Advance of DoD Funds

A. An advance constitutes a disbursement of DoD funds before an authorized DoD official has certified that materials have been delivered or ordered services performed. An agreement shall not provide for DoD advance payments, unless the conditions for such advances, as set forth in Volume 4, Chapter 5 are met. Basically, advances to foreign countries are authorized when required for compliance with the laws and ministerial regulations of the foreign country and is further required by the agreement.

B. When possible, advances shall be made for no more than the amount necessary to fulfill the DoD share of project expenses for one month. Advances and prepayments shall not exceed the amount necessary to fulfill the DoD share of project expenses for a current fiscal quarter. If monies are paid in advance and deposited into commercial banks, provision must be made to ensure that the agreement requires:

1. Payment of interest at competitive rates;

2. Timely identification of interest earned by each party; and

3. Interest disposition in accordance with the participants' instructions.

C. The DoD share of funding required to support an international project shall be obtained in full by appropriation, and no part of such funding shall be derived from interest earnings on U.S. contributions. In view of this policy, the U.S. Government share of interest earned on U.S. advance payments must be returned to the U.S. Treasury Miscellaneous Receipts Account 3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified." The interest shall not be used to reduce a future call for funds, nor used for any project cost that would result in funding derived outside the appropriation process.

D. Advances of DoD funds in excess of 90 days or $5 million require consultation with the Department of the Treasury. Contact with the Department of the Treasury shall be through the Office of the Under Secretary of Defense (Comptroller).

090509. Billing Requirements

When payments are to be made, the agreement or subsequent financial arrangements must include the following information:

A. Billing Cycle. Bills for incurred costs are to be rendered on a 30-day cycle. This is a U.S. Treasury requirement and must be adhered to by DoD. However, in the negotiation process and at the initiation of other participants, agreement may be reached on up to a 90-day billing cycle.

B. Collecting Office. The agreement or subsequent financial arrangements shall provide the name and address of the organization to which payments shall be made. It also is desirable to set forth a position title and a telephone number to which questions may be addressed.

C. Paying Office or Offices. The agreement or subsequent financial arrangements shall provide the name and address of the organization that is responsible for making payments under the agreement. It also is desirable to set forth a telephone number and a position title to which questions may be addressed.

D. Payment Terms. The payment due date shall not be more than 30 days from the date of the invoice, date prepared.

E. Documentation in Support of Billings. The agreement or subsequent financial arrangements must identify the form of the bill and the specific supporting details.

F. Currency of Payment. Normally, payment shall be in the currency of the supplying nation or the lead country if joint financing is provided for in the agreement. The invoice shall identify the amount paid in foreign currency at the current exchange rate and the equivalent conversion rate in U.S. dollars.

090510. Special Types of Agreements

A. Agreements for Reciprocal Exchange of Materials or Services. These agreements must set forth the time period allowed for exchange of materials and services. They also must set forth financial settlements that must be made if the exchange does not take place. DoD services or materials provided are priced in accordance with Volume 11A, Chapter 1.

B. Cooperative Research, Development, Test and Evaluation, Technical Data Exchange, Co-production, Licensed Production, and Related Standardization Agreements That Are Not Implemented through the Security Assistance Program. Full costs must be identified and shared equitably. Cost sharing may be accomplished through the following:

1. Pooling of monies and designation of a lead country to manage the program, collect cash, and award contracts. Specific shares of program cost are set forth in the agreement.

2. No pooling of monies or designation of a lead country. Specific efforts to be accomplished by each participating country and estimated costs of such efforts are set forth in the agreement.

TABLE 9-1: Example International Agreement Financing Schedule

($ in Millions)

Financing Sources	Current Year	Current Year + 1	Current Year + 2	Totals
U.S./PE 0603456	1.5	1.0	0.0	2.5
U.S./PE 0603567	0.0	0.5	1.0	1.5
France	1.5	1.5	1.0	4.0
Germany	1.5	1.5	1.0	4.0
Totals	4.5	4.5	3.0	12.0

TABLE 9-1: Example International Agreement Financing Schedule

TABLE 9-2: Calculation of Expected U.S. Contribution Using the Number of Participants Method

Step 1: Determine the total program cost to the U.S. and other participants.

U.S. Share	$150
Other Participants	300
Total Cost	$450

Step 2: Determine the percentage of the U.S. share of the total costs under the agreement.

U.S. Share	$150 = 33% share
Total Cost	450

Step 3: Determine the total number of participants and calculate the U.S. share on a percentage basis.

Total Participants	3
U.S.	1 = 33% U.S. as a percentage of Participants

Step 4: Compare the results of step two to step three. If the result of step two is equal to the result of step three, the U.S. appears to be paying an equitable share.

TABLE 9-2: Calculation of Expected U.S. Contribution Using the Number of Participants Method

TABLE 9-3: Calculation of Expected U.S. Contribution Using the Number of Participants Method

Step 1: Determine the total program cost to the U.S. and other participants.

U.S. Share	$150
Other Participants	300
Total Cost	$450

Step 2: Determine the percentage of the U.S. share of the total costs under the agreement.

U.S. Share	$150 = 33% share
Total Cost	450

Step 3: Determine the total number of production units or benefiting assets under the agreement.

U.S. Units/Assts	20,000
Other Participants	40,000
Total Units/Assets	60,000

Step 4: Determine the percentage of the U.S. share of the total number of production units or benefiting assets under the agreement.

U.S. Units/Assets	20,000 = 33% share
Total Units/Assets	60,000

Step 5: Compare the results of step two to step four. If the result of step two is equal to that of step four, the U.S. appears to be paying an equitable share.

TABLE 9-3: Calculation of Expected U.S. Contribution Using the Number of Participants Method

VOLUME 12, CHAPTER 10: "FUNDING CIVILIAN SEPARATION INCENTIVES AND CIVILIAN PERSONNEL TRANSITION INITIATIVE"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

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Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
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	Certified as current.	Current

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CHAPTER 10

FUNDING CIVILIAN SEPARATION INCENTIVES AND CIVILIAN PERSONNEL TRANSITION INITIATIVES

1001 GENERAL

100101. Overview

The purpose of this policy is to provide definitions and funding requirements to implement civilian separation incentives and civilian personnel transition initiatives.

100102. Statutory Authority

Civilian separation incentives are authorized by Title 5 United States Code, (USC), section 9902**,** ***section 5724(e),*** and are outlined under Department of Defense (DoD) Instruction (DoDI) 1400.25, "DoD Civilian Personnel Management System: ***Civilian Assistance and Re-Employment (CARE) Program, Volume 1700,***" and ***Voluntary Separation Programs, Volume 1702.*** These mechanisms are offered to an employee, in order to induce the voluntary separation of that employee and/or create a vacancy for an employee of the same or another DoD Component.

1002 OVERALL FUNDING POLICY - DEFINITIONS

100201. Separation Incentives/Outplacement Subsidies

For the purpose of this policy, the term "civilian separation incentives" means resignation and retirement incentives and outplacement subsidies. DoD activities may pay up to $25,000 for separation incentives or up to $20,000 for outplacement subsidies from appropriations, funds, or accounts available for such purposes to an employee and/or to create a vacancy for another employee.

100202. Limitation of Funding

Funding by a DoD central account is not provided.

100203. Audit Readiness/Internal Procedures

Each DoD Component shall develop and implement internal operating procedures and/or guidance to implement this overarching policy in a manner that ensures accurate, timely, and relevant reporting of financial data. Relevant records supporting financial statements shall be maintained and made available during financial statement audits.

100204. Recording Funding Obligations

Funds for separation incentives and outplacement subsidies shall be obligated when an employee accepts the offer of an incentive payment. The obligations shall be recorded in DoD Standard General Ledger account 640000, "Benefit Expense," and reported as object class 13.0, "Benefits for former personnel" for separation incentive and object class 12.1 for outplacement subsidies. Refer to the ***DoD USSGL transaction library*** for additional information on account descriptions. The following policy applies to the Separation Incentives Program:

1003 SPECIFIC FUNDING POLICIES FOR DIFFERENT TYPES OF EMPLOYEES

100301. Appropriated Fund Employees

A DoD Component that offers civilian separation incentives to an employee, in order to induce the voluntary separation of that employee and/or to create a vacancy for another employee of the same DoD Component, shall fund the resulting separation payments from the applicable appropriation, fund or account that otherwise is available to pay for salaries and expenses of that DoD Component.

100302. Working Capital Fund Employees

Beginning in FY 1995, the Defense Working Capital Fund is authorized to pay for separation incentives.

100303. Base Realignment and Closure Act

Beginning in FY 1995, the Defense Base Closure Account is available for payment of separation incentives. The departmental policy contained in Volume 2B, subparagraph 070201 provides the general criterion to apply costs to the DoD Base Realignment and Closure Account.

100304. Foreign Military Sales Trust Fund

For employees paid from, or whose salaries are fully reimbursed by, the Foreign Military Sales (FMS) Trust Fund, an offer of separation incentives or civilian personnel transition initiatives (either to an FMS Fund civilian employee or a non-FMS Fund civilian employee to benefit an FMS Fund civilian employee) shall be funded as follows:

A. Separation incentives offered to an FMS civilian employee, in order to induce a voluntary separation of the FMS civilian employee, with the elimination of that FMS civilian employee position, shall be paid by the FMS Fund.

B. Separation incentives offered to an FMS civilian employee, in order to create a vacancy within the same DoD Component for another FMS civilian employee who otherwise would be separated, shall be paid by the FMS Fund.

C. Separation incentives offered to a non-FMS civilian employee, in order to create a vacancy for an FMS civilian employee who otherwise would have been separated, where the FMS civilian employee continues fully to support the FMS program, shall be paid by the FMS Fund.

D. Any costs of outplacement subsidy described in paragraph 100305 below, for an FMS civilian employee, shall be funded by the FMS Fund.

E. No other separation payments are chargeable to the FMS Fund.

100305. Placements Outside the Department

DoD activities may pay up to $20,000 (subject to the availability of funds) in outplacement subsidy for Permanent Change of Station (PCS) costs associated with placement of a surplus DoD employee with another Federal Agency as authorized under 5 USC 5724(e) and DoDI 1400.25, DoD Personnel Management System: Voluntary Separation Programs, Volume 1702. When a DoD Component-offered outplacement subsidy is accepted, the DoD activity shall notify the gaining Federal Agency regarding outplacement services. The notification shall state that DoD funds may be billed up to $20,000 per employee or for the actual PCS costs, whichever is less. The notification shall include the DoD fund citation to be billed and the address of the fiscal station paying the subsidy. Payment shall be made by the applicable DoD activity based upon documentation of the amounts paid or to be paid to the employee by the gaining Federal Agency.

1004 CONTROLS OVER AVAILABLE FUNDS

Controls shall be established to ensure that sufficient funds are available to cover projected requirements for employee acceptance of incentive offers and outplacement subsidies each quarter. Normal Antideficiency Act provisions apply to the DoD Component appropriations, funds and accounts. Therefore, if available funds are projected to be inadequate to cover anticipated incentive program acceptances and outplacement subsidies, appropriate action shall be taken. In this regard, the DoD Components either shall cancel or withdraw incentive offers prior to employee acceptance, or obtain additional funds.

VOLUME 12, CHAPTER 11: "PRIVATIZATION OF DEFENSE UTILITY SYSTEMS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

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CHAPTER 11

PRIVATIZATION OF DEFENSE UTILITY SYSTEMS

1101 GENERAL

110101 Purpose

This chapter prescribes financial management policies to the implementation of statutory provisions of Title 10, United States Code (U.S.C.), Section 2688 ***(10 U.S.C. 2688)***, "Utility Systems: Conveyance Authority." Section 2688 permits the Secretary of a Military Department to convey (i.e., transfer or pass title to) a utility system, or part of a utility system, under the Secretary's jurisdiction to a municipal, private, regional, district, or cooperative utility company, or other entity (this authority does not apply to utility projects constructed or operated by the Army Corps of Engineers under its civil works authority). A utility system is defined as any system used for the: (1) generation and supply of electric power, steam, hot water, or chilled water; (2) supply of natural gas; (3) treatment or supply of water; (4) collection or treatment of wastewater; or (5) transmission of telecommunications. The term "utility system" also includes the following: (A) equipment, fixtures, structures, and other improvements utilized in connection with a utility system as defined and (B) real property, easements, and rights-of-way associated with a utility system as defined.

110102 Background

The financial management policies in this chapter correspond with the Department of Defense ***(DoD) Instruction 4170.11***, *Installation Energy Management*. The Instruction specifies that utilities privatization "is the preferred method for modernizing and recapitalizing DoD utility systems." To this end, the Instruction provides: "Except where the Secretary of the Military Department has certified that the systems are exempt due to security reasons or privatization is uneconomical, the Military Services shall privatize those types of utility systems at every Active and Reserve Component installation, within the United States and overseas, that is not designated for closure under a base closure law."

1102 CONSIDERATION FOR CONVEYANCE OF UTILITY SYSTEMS

110201 Overview

Subsection 2688(c)(1) of 10 U.S.C. provides that the Secretary of a Military Department concerned may require as consideration for a conveyance an amount equal to the fair market value (as determined by the Secretary) of the right, title, or interest conveyed. Such consideration may take the form of a reduction in charges for future utility services or a lump sum payment. Subsection 2688 does not itself constitute authority for the Secretary of a Military Department to convey a utility system without any consideration or cause to be inapplicable to authorities that govern disposal of DoD real property and personal property. The financial implications of conveying a utility system for less than fair market value should be addressed in the economic analyses required by subsection 2688(a). The value of the utility system

transferred to a utility at less than fair market value may constitute taxable income to the utility and may impact utility rates.

110202 Reduction in Charges

A reduction in charges for future utility services is acceptable consideration when the services are provided by the utility or entity obtaining the utility and the reduction in charges is provided to the military installation at which the utility system is located at the time of conveyance. In such circumstances, a reduction in charges for utility services is an exchange of dissimilar assets that does not result in a credit to an appropriation. The consideration (reduction) in such an exchange is considered an Other Asset (Account 1990), and the recorded asset is reduced by charges to Operating Expenses/Program Costs (Account 6100) over the life of the contract for utility services. Corresponding asset disposal losses must be recognized as described in Volume 4, Chapter 17.

110203 Lump Sum Payment

A. Provisions of 10 U.S.C. 2688 provide that any lump sum cash payment received as consideration for the sale of a utility system shall be credited, at the election of the Secretary concerned, to an appropriation of the Military Department available for:

1. The procurement of the same utility services as are provided by the utility system conveyed;

2. Carrying out energy savings or water conservation projects (as discussed in Chapter 12); or

3. Improvements to other utility systems.

B. A lump sum payment must be credited to the appropriation used to fund the types of base operating support costs described in subparagraph 110203.A. at the location of the privatized utility system. In most cases, this will be an Operations and Maintenance appropriation. Approval of the Office of the Under Secretary of Defense (Comptroller) Program/Budget (OUSD(C)(P/B)) is required for the use of any other appropriation type, as described in paragraph 110302.

C. The amount credited to an appropriation shall be merged with the funds in that appropriation and shall be available for obligation in the same period, for the same purposes, and subject to the same conditions and limitations as that appropriation. There is no provision in the statute for extending the availability of such funds beyond the normal expiration date of the appropriation.

D. The conveyance of a utility for a lump sum payment results in budgetary and proprietary accounting entries by the entity responsible for collection as follows:

1. Receipt of a lump sum payment is recorded in the budgetary accounts as an earned reimbursement, as described in Volume 3, Chapter 15, paragraph 150204.

2. Receipt of a lump sum payment for the conveyance of a utility is recorded in the proprietary accounts as a gain or loss on disposition of assets, as described in Volume 4, Chapter 17.

1103 POLICY AND PROCEDURES

110301 Same Utility Service Procurements

Before utility conveyance proceeds may be used to procure the same utility services as those provided by the utility system conveyed, the organization receiving the funds must submit the proposed distribution of funds to the Assistant Secretary of the Military Department (Financial Management and Comptroller) (ASMD(FM&C)) for approval. The ASMD(FM&C) must notify the supporting Defense Finance and Accounting Service (DFAS) site of approved funds distributions.

110302 Savings and Conservation Projects and Improvements

A. Receiving Organization. Before utility conveyance proceeds may be used for carrying out energy savings or water conservation projects or improvements to other utility systems, the receiving organization must:

1. Prepare and submit to ASMD(FM&C) – for each major construction, minor construction, emergency construction, or Federal Energy Management Program project - the budget estimate data required by Volume 2B, Chapter 6, subparagraph 060301.B, using ***Defense Department Form 1391***, "FY__ Military Construction Project Data."

2. Ensure the required approval and funding authorization is received before the disbursement of funds.

3. Prepare the paperwork necessary for the disbursement of funds in accordance with Volume 5, Chapter 11.

4. Ensure any amount credited to an appropriation from a conveyance under 10 U.S.C. 2688, is administered in accordance with the financial policy and guidance in Volume 3, Chapter 15.

B. The ASMD(FM&C). Before approving a receiving organization's request to carry out energy savings or water conservation projects or improvements to other utility systems, ASMD(FM&C) must:

1. Review the receiving organization's proposal submitted under subparagraph 110302.A.1., and forward it to OUSD(C)(P/B), Directorate for Military Construction, for final approval.

2. Ensure required OUSD(C)(P/B) approval and funding authorization are received before the disbursement of funds is approved.

3. Provide funds control and reporting information to the supporting DFAS site.

4. Notify the receiving organization of the final decision and provide the funding authorization document.

C. The OUSD(C)(P/B), Directorate for Military Construction

1. Before approving an ASMD(FM&C) request to carry out energy savings or water conservation projects or improvements to other utility systems, OUSD(C)(P/B) must:

a. Review the receiving organization's proposal submitted under subparagraph 110302.A.1.

b. Prepare and submit any necessary Apportionment and Reapportionment Schedule using the most current version of Standard Form 132 (e.g., for urgent unforeseen projects not already included in the Military Construction program) to the Office of Management and Budget (OMB) for approval.

c. Notify ASMD(FM&C) of the final decision and OMB approval, and provide the funding authorization document.

2. Provide funds control and reporting information to Washington Headquarters Service (for Department-level appropriation accounting).

110303 The DFAS

The Director, DFAS, must account for and report on amounts credited to appropriations resulting from a conveyance under 10 U.S.C. 2688 and on any related fixed asset transactions.

VOLUME 12, CHAPTER 12: "IDENTIFICATION, RETENTION, AND USE OF ENERGY AND WATER CONSERVATION SAVINGS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
120102 and 120103.E.	Revised per amendment of Title 10, United States Code, section 2915 by Public Law 111-383.	Update
120103.B.1.	Revised per amendment of 10 U.S.C. 2912 by P.L. 112-239	Update
120102 and 120103.G.	Added language to reflect requirements of 10 U.S.C. 2919.	Add
Multiple	Updated hyperlinks and references throughout the chapter.	Update

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CHAPTER 12

IDENTIFICATION, RETENTION, AND USE OF ENERGY AND WATER CONSERVATION SAVINGS

1201 OVERVIEW

120101. Purpose

This chapter prescribes financial management policy and procedures for the identification, retention, and use of energy and water cost savings as detailed in Title 10, United States Code, sections 2866, 2912, 2913, 2914, 2915, and 2916.

*120102. General

The Congress has enacted several measures pertaining to Energy Security within the Department of Defense (DoD). ***10 U.S.C. 2866*** provides for receipt and use of incentives and water cost savings from utilities for water conservation. ***10 U.S.C 2912*** concerns availability and use of energy cost savings, ***10 U.S.C. 2913*** concerns energy savings contracts and activities, ***10 U.S.C. 2914*** concerns energy conservation construction projects, ***10 U.S.C. 2915*** concerns use of renewable forms of energy and energy efficient products in military construction and facility repair and renovation projects, ***10 U.S.C. 2916*** concerns sale of electricity from alternate energy and cogeneration production facilities, and ***10 U.S.C. 2919*** concerns DoD activities' participation in programs for management of energy demand or reduction of energy usage during peak periods.

120103. Statutory Provision Summaries

A. ***10 U.S.C. 2866*** provides that funds attributable to water cost savings realized under the provisions of that section shall be used as prescribed in subparagraphs 120103.B. 1 and 2, provided that such use under 120103.B.1 is for water conservation activities. Neither 10 U.S.C. 2866 nor any provision in the Department's appropriations acts, however, provide for the extended availability of such funds. Accordingly, such funds are available only for the period for which they were originally appropriated.

B. ***10 U.S.C. 2912*** provides that an amount of funds appropriated to DoD for a fiscal year that is equal to the amount of energy cost savings realized by the Department, including financial benefits resulting from shared energy savings contracts pursuant to ***10 U.S.C. 2913***, shall remain available for obligation until expended, without additional authorization or appropriation. The amount that remains available for obligation shall be used as follows:

* 1. One-half of the amount shall be used for the implementation of additional energy conservation and energy security measures at buildings, facilities, or installations of the DoD, or related to vehicles and equipment of the DoD, which are designated,

in accordance with regulations prescribed by the Secretary of Defense, by the head of the department, agency, or instrumentality that realized the savings; and

2. One-half of the amount shall be used at the installation at which the savings were realized, as determined by the commanding officer of such installation consistent with applicable law and regulations, for (a) improvements to existing military family housing units; (b) any unspecified minor construction project that will enhance the quality of life of personnel; or (c) any morale, welfare, or recreation (MWR) facility or service.

C. ***10 U.S.C. 2913*** provides that the Secretary of Defense shall develop a simplified method of contracting for shared energy savings contract services that will accelerate the use of these contracts with respect to military installations and will reduce the administrative effort and cost on the part of DoD as well as the private sector. The Secretary may provide for the direct negotiation (by departments, agencies, and instrumentalities of DoD) of contracts with shared energy savings contractors that have been selected competitively and approved by any gas or electric utility serving the department, agency, or instrumentality concerned.

D. ***10 U.S.C. 2914*** provides that the Secretary of Defense may carry out a military construction project for energy conservation, which has not been previously authorized, using funds appropriated or otherwise made available for that purpose. When a decision is made to carry out a project under this section, the Secretary of Defense shall notify, in writing, the appropriate congressional committees of the decision. The project may then be carried out only after the end of the 21-day period beginning on the date the notification is received by such committees or, if earlier, the end of the 14-day period beginning on the date on which a copy of the notification is provided in an electronic medium.

* E. ***10 U.S.C. 2915*** provides that the Secretary of Defense shall encourage the use of energy systems using solar energy or other renewable forms of energy as a source of energy for military construction projects (including military family housing projects) and facility repairs and renovations, and ensure, to the maximum extent practicable, the use of energy efficient products in facility construction, repair, and renovation. The Secretary concerned shall require that the design for the construction, repair, or renovation of facilities (including family housing and back-up power generation facilities) shall include consideration of energy systems using solar energy or other renewable forms of energy, and require such energy systems be installed if consistent with the energy performance goals and energy performance master plan for the Department and is shown to be cost effective. Additionally, the Secretary of a military department may grant exceptions to otherwise applicable square foot and cost per square foot limitations.

F. ***10 U.S.C. 2916*** provides that the Secretary of a military department may sell, contract to sell, or authorize the sale by a contractor to a public or private utility company of electrical energy generated from alternate energy or cogeneration type production facilities which are under the jurisdiction (or produced on land which is under the jurisdiction) of the Secretary concerned. The sale of such energy shall be made under such regulations, for such periods, and at such prices as the Secretary concerned prescribes consistent with the Public

Utility Regulatory Policies Act of 1978 (***16 U.S.C. 2601*** et seq.). (Revenues from the sale of electricity shall be deposited and utilized in accordance with section 1204.)

* G. ***10 USC 2919*** provides that the Secretary of Defense, the Secretaries of the military departments, the heads of the Defense Agencies, and the heads of the other instrumentalities of the Department are authorized to participate in demand response programs for the management of energy demand or the reduction of energy usage during peak periods conducted by any of the following: an electric utility; an independent system operator; a State agency; or a third party entity (such as a demand response aggregator or curtailment service provider) implementing demand response programs on behalf of an electric utility, independent system operator or State agency. Financial incentives received from such entity shall be (a) received as a cost reduction in the utility bill for a facility; or (b) deposited into a fund established under 10 USC 2919(c) for use, to the extent provided for in an appropriations Act, by the military department, Defense Agency, or instrumentality receiving such financial incentive for energy management initiatives.

1202 DEFINITIONS

The following definitions apply with respect to the identification, retention, and use of energy conservation cost savings:

120201. Energy Savings Performance Contracts

An Energy Savings Performance Contract (ESPC) is a contract between the Federal government and an energy service company (ESCO) that allows agencies to accomplish energy projects for their facilities without up-front capital costs and without Congressional appropriations to pay for the improvements. The ESCO designs, implements, and arranges financing for an energy savings project that meets the Federal agency's needs. The ESCO guarantees that the improvements will generate savings sufficient to pay for the project over the term of the contract (up to 25 years). If the energy conservation measures installed by the ESCO do not deliver the guaranteed energy savings, the agency pays only an amount equal to the verified, not guaranteed, savings for that period. The ESCO must immediately determine the reasons for the under achieved energy savings during that period. If it is determined that the ESCO-installed and maintained equipment and controls malfunctioned, then the ESCO must immediately correct the malfunction. If it is determined that the ESCO-installed and government-maintained equipment and controls malfunctioned, the government may be required to pay the guaranteed savings to the ESCO for that period. After the contract ends, any additional cost savings accrue to the agency. The additional savings are transferred to an extended availability account, in accordance with section 1203 for use as indicated in subparagraph 120103.B. An ESPC is an alternative financing tool to reduce energy use, modernize aging equipment, reduce maintenance costs, and deploy energy efficiency and renewable energy technologies. See ***DoD Instruction 4170.11***, Installation Energy Management, for further discussion on ESPC.

120202. Energy Cost Savings

Energy cost savings, for the purposes of ***10 U.S.C. 2912***, are savings realized as the result of a reduction in the cost of energy as measured against budget documentation, which is determined by metering (if available) or by other methodology, such as professionally acceptable engineering models and estimates, as determined appropriate by the Component Head. Component Head or designee may define the types of energy commodities to be included in their programs (water is not included as a commodity for this purpose, per subparagraph 120103.A). Energy cost savings could refer to funding remaining after an energy bill is paid or to additional unobligated funding made available in an amount equivalent to avoided cost from energy not consumed during the previous fiscal year.

120203. Extended Availability of Funds

Except as stated in subparagraph 120103.A, pursuant to ***10 U.S.C. 2912***, savings realized by DoD and transferred to an extended availability account, including financial benefits, remain available for obligation until expended in accordance with subparagraph 120103.B, without additional authorization or appropriation.

120204. Cost Effectiveness

An energy system using solar energy or other renewable forms of energy is considered cost effective if the cost difference between that energy system and an energy system not using renewable energy sources can be recovered over the expected life of the facility.

120205. Extended Availability of Funds Account

This is an account established for each appropriation to which identified energy cost savings and unobligated balances resulting from such energy cost savings, or a portion thereof, are transferred. The balances in this account remain available for obligation until expended. The military department realizing the savings shall retain, until expended, an equivalent amount of funding in the extended year account, using appropriately established financial management accounting codes to separate the funding (50 percent of the savings amount for the military department and 50 percent for the installation) to ensure use in accordance with subparagraph 120103.B.

120206. Component Head or Designee

The Secretary of a military department, the Director of a defense agency, an individual designated to act for the Secretary of a military department, or the Director of a defense agency for the purposes of executing the duties, functions, and responsibilities set forth in this chapter. When a provision is applicable only to the military departments, reference is made to the Secretary concerned, or designee.

1203 ENERGY SAVINGS AND INCENTIVES RECEIVED FROM UTILITIES

120301. Extended Availability from Energy Savings

Energy savings amounts having an extended availability shall be transferred to extended availability accounts for execution.

A. An extended availability account must be established for each appropriation for which energy cost savings have been identified and for which a period of extended availability is to be established.

B. Transfers to extended availability accounts shall be made by a ***Standard Form 1151,*** "Nonexpenditure Transfer Authorization," or other authorized Service-specific method that incorporates all SF 1151 requirements (see Volume 14, Chapter 1**,** subparagraph 010206.B.6). Reprogramming actions will not be required in the case of such transfers.

C. Accounting, appropriate controls, and oversight for amounts in extended availability accounts shall be established at the level that use the accounts; this will be at the installation, military department, defense agency, and/or Office of the Secretary of Defense level.

120302. Financial Incentives

Financial incentives received from gas or electric utilities under ***10 U.S.C. 2913*** are not considered energy cost savings. These incentives are credited to the installation's accounts used for operations and maintenance and remain available for the same purposes and the same period as the appropriation to which they are credited. Such incentives are refunds or rebates received as a check and deposited in the accounts used for operations and maintenance; they are not credits to the utility bill.

1204 REVENUES FROM THE SALE OF ELECTRICITY

120401. Sale of Electricity

Proceeds from sales of electricity from alternate energy and cogeneration production facilities under ***10 U.S.C. 2916*** must be credited to the appropriation account currently available to the military department concerned for the supply of electrical energy. The Secretary concerned or designee determines the accounts to which such proceeds shall be credited. (See Treasury's Federal Account Symbols and Titles: ***The FAST Book*** for current accounts.)

120402. Use of Proceeds from the Sale of Electricity

Subject to the availability of appropriations for this purpose, proceeds credited may be used to carry out military construction projects under the energy performance plan developed by the Secretary of Defense under ***10 U.S.C. 2911(b)***, including minor military construction projects authorized under ***10 U.S.C. 2805*** which are designed to increase energy conservation.

120403. Congressional Notification

Before carrying out an unspecified minor military construction project described in paragraph 120402 using proceeds from sales under paragraph 120401, the Secretary concerned shall notify the appropriate committees of Congress in writing of the project, including the project justification and the estimated project cost. The project may then be carried out only after the end of the 21-day period beginning on the date the notification is received by Congress or, if earlier, the end of the 14-day period beginning on the date on which a copy of the notification is provided in an electronic medium pursuant to ***10 U.S.C. 480***.

1205 BUDGETING FOR ENERGY COST SAVINGS

The portion of the guaranteed savings due to the contractor for payment under ESPCs must be included in each military department's utility requirements submitted in budget requests for the length of the ESPCs entered into by that military department. The entire amount of guaranteed savings provided in ESPCs (including amounts for contract payments and amounts to be retained by installations) must be included in total utility requirements submitted as part of budget requests for the first five years of ESPCs. The total of the amounts requested must not exceed those that would have been requested in the absence of ESPCs. The Secretary concerned, or designee, must specify the procedures for identification of such amounts by installations, facilities, or operating locations at which ESPCs for that military department are in existence.

1206 CAPTURING BALANCES AVAILABLE FOR USE RESULTING FROM ENERGY CONSERVATION MEASURES

120601. When carrying over unobligated balances resulting from energy conservation, Installation Commanders or their designees must ensure energy cost savings amounts carried over for use beyond the fiscal year for which they were originally appropriated are authorized to be used only for funding initiatives specified by ***10 U.S.C. 2912*** (see subparagraph 120103.B). Installation Commanders must also:

A. Ensure that unobligated fund balances available at the end of the normal period of appropriation availability that are the direct result of energy conservation measures are identified based on the most current available consumption data and represent actual unobligated funds remaining in the appropriation accounts.

B. Ensure that the unobligated energy cost savings balances at year-end are carried forward for use beyond the fiscal year by transferring the funds to the extended availability of funds account.

C. Submit to the Component Head or designee proposed energy savings projects for a given fiscal year that are projected to cost more than the amount of funds available to the Commander for that purpose.

D. Implement additional energy conservation initiatives approved by the Component Head, or designee and other projects as specified.

120602. The Component Head or designee shall receive and evaluate savings measures submitted by Installation Commanders, and authorize funding for those other energy savings measures as the Component Head or designee deems appropriate. The Component Head or designee must also ensure that procedures are established to provide sufficient time to compute the energy cost savings and identify the savings amounts to be transferred to the extended availability of funds account.

1207 ACCOUNTING FOR ENERGY COST SAVINGS

120701. Title 10, United States Code, section 2912

The energy cost savings amounts realized in accordance with 10 U.S.C. 2912 remain as unobligated balances available for obligation at the end of the fiscal year.

120702. Unobligated Balance Transfers

Unobligated balances covered by paragraph 120701 must be transferred to extended availability accounts on an SF 1151 or other authorized Service-specific method that incorporates all SF 1151 requirements (see paragraph 120301). The authority to be cited for the transfer is ***10 U.S.C. 2912***. No further adjustments to the amounts carried forward are permitted once the balance is established in the extended availability account.

1208 REPORTING REQUIREMENTS

The standardized Service-specific reporting methods (e.g., the Army's General Fund Enterprise Business System) or the following requirements must be used to report the status of extended availability accounts:

120801. Accounting Report (Monthly) 1002

The following special procedures have been established for reporting extended availability obligated and unobligated balances on the Accounting Report (Monthly), (AR(M)) 1002, Appropriation Status by Fiscal Year Program and Subaccounts:

A. Normal Availability Obligated and Unobligated Balances

Identify and report as usual.

B. Extended Availability Unobligated Balances

Identify, in column F (Cumulative Unobligated Balance), unobligated extended availability amounts resulting from energy cost savings at the end of the normal availability period (e.g., FY 200X/200X+1 or FY 200X/200X+2, +3, and so on) and available unobligated amounts (that is, FY 2014/2015, FY 2014/2016, etc., for the FY 2014 account). The stub entry, column a (Budget Activity) identifies the unobligated extended availability amount as "Extended

Availability - Energy Cost Savings." The amount reported must agree with line 2201 of the Standard Form ***(SF) 133***, Report on Budget Execution (see paragraph 120802).

C. Extended Availability Obligated Balances

Identify, in column e, obligations incurred against the extended availability account. The stub entry shall identify those obligations as to the purpose for which the obligations were incurred. The reporting categories for the extended availability accounts must be continued for all fiscal years with remaining obligated balances against the extended availability account.

120802. Standard Form 133

At the end of the first fiscal year, use line 2201, "Unob(ligated) Bal(ance): Apportioned: Avail(able) in the current period" on the ***SF 133***, to identify the amount of available unobligated funds that are available for energy savings investments (or other authorized purposes) in the following fiscal year(s).

120803. Treasury Financial Management Service Form 2108

Transactions reported on Treasury Financial Management Service ***(FMS) Form 2108,*** Year-End Closing Statement, re treated in the same manner as multi-year appropriations.

VOLUME 12, CHAPTER 13: "FISCAL POLICY FOR BASE CLOSURE AND REALIGNMENT"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated August 2002 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Multiple	Deleted outdated references, added hyperlinks.	Update
130102.A.5	Added reference for creation of the DoD Base Closure Account 2005.	Add
130102.B	Deleted listing of guidance superseded in prior chapter updates.	Delete
130202	Deletes outdated guidance related to use of "DoD Base Closure Account" under United States (U.S.) Treasury symbol 97_0103. Remainder of section renumbered accordingly.	Delete
130202	Added guidance related to DoD Base Closure Account 2005.	Add
130301.A.2	Added guidance on BRAC 2005 reprogramming procedures.	Add
130302	Updated organizational responsibilities.	Update
1304	Updated organizational reporting responsibilities.	Update
130402.C	Deleted listing of specific reporting requirements. Reporting requirements are contained in Volume 6A, Chapter 4.	Delete
Fig. 13-2	Deleted outdated form.	Delete
Air Force Annex	Deletes Annex as it duplicates guidance contained in AFI 65-601V1, Chapter 23.	Delete

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CHAPTER 13

FISCAL POLICY FOR BASE CLOSURE AND REALIGNMENT

1301 OVERVIEW

130101. Purpose

This chapter specifies financial policy and procedures for base closure and realignment.

130102. General

A. Since 1988, the Congress has enacted legislation that created five separate accounts on the books of the Department of the Treasury to finance base closure and military installation realignment.

1. Section 207 of the Defense Authorization Amendments and Base Closure and Realignment Act (Public Law (P.L.) 100-526), October 24, 1988, established the "DoD Base Closure Account."

2. Section 2906 of the Defense Base Closure and Realignment Act of 1990 (P.L. 101-510), November 5, 1990, created the "DoD Base Closure Account 1990."

3. Section 2921 of the Defense Base Closure and Realignment Act of 1990 (P.L. 101-510), November 5, 1990, established the "DoD Overseas Military Facility Investment Recovery Account."

4. Section 344 of the National Defense Authorization Act for Fiscal Years 1992 and 1993 (P.L. 102-190) established the "Reserve Account."

* 5. Section 2906A of the Defense Base Closure and Realignment Act of 1990 created the "DoD Base Closure Account 2005."

* B. This guidance also establishes funds distribution, accounting and reporting policy and procedures for the "DoD Base Closure Account 1990," "DoD Base Closure Account 2005" and the "Reserve Account."

1302 POLICY AND PROCEDURES

130201. General

A. DoD Components are responsible for implementing all base closure and realignment action including preparation of an economic analysis in accordance with Volume 2B, Chapter 6, and shall administer the allocations of base closure funds.

B. Care shall be exercised to ensure that proceeds are deposited in the appropriate account authorized by law. Transfer funds erroneously deposited into an account, or deposited to a suspense account or other interim accounts, to the appropriate account. An SF 1080 ("Voucher for Transfers Between Appropriations and/or Funds") shall be used to transfer funds to the proper account.

130202. DoD Base Closure Account 1990 and DoD Base Closure Account 2005

A. The U.S. Treasury symbol for DoD Base Closure Account 1990 is 97X0510. This account is identified as the "Base Realignment and Closure Account, Part II, Defense," in the Department of the Treasury's Federal Account Symbols and Titles (FAST) publication.

* B. The U.S. Treasury symbol for DoD Base Closure Account 2005 is 97X0512. This account is identified as the "Base Realignment and Closure Account 2005, Defense," in the Department of the Treasury's FAST publication.

C. Except as provided for in subparagraph 130202.F. funds deposited into these accounts shall be:

1. Funds authorized for, and appropriated to, the account.

2. Proceeds received from the sale or disposal of any property at an installation closed or realigned under the provisions of the Defense Base Closure and Realignment Act of 1990, P.L. 101-510.

D. Proceeds resulting from the sale or disposal of property or facilities (including buildings and structures) due to the base closure process shall be deposited as reimbursements into the appropriate DoD Base Closure Account (DoD Base Closure Account 1990 or DoD Base Closure Account 2005). Treat these reimbursements as a collection and an earned reimbursement, and credited to the appropriation as a budget source.

E. Proceeds received after September 30, 1995, from the transfer or disposal of any property at a military installation closed or realigned under the Defense Authorization Amendments and Base Closure and Realignment Act, P.L. 100-526 and Title 10, United States Code, (U.S.C) section 2687, shall be deposited as reimbursements into the appropriate DoD Base Closure Account.

F. Deposit a portion of the proceeds resulting from the transfer or disposal of any real property or facility acquired, constructed, or improved (in whole or in part) with commissary store funds or nonappropriated funds into the "Reserve Account." The amount deposited shall be equal to the depreciated value of the investment made with such funds in the acquisition, construction, or improvement of that particular real property or facility. Complete the depreciated value of the investment in accordance with Volume 4, Chapter 6, for property funded with commissary store funds. Use Volume 13, Chapter 3, for property funded with nonappropriated funds. The "Reserve Account" is discussed in paragraph 130204.

G. Subject to their availability, funds in the account may be used to:

1. Carry out actions as may be necessary to close or realign any military installation. Such actions include the acquisition of such land, construction of such replacement facilities, performance of such activities, and conduct of such advance planning and design as may be required to transfer functions from an installation being closed or realigned to another military installation.

2. Provide economic adjustment assistance to any community located near an installation being closed or realigned. Additionally, provide community-planning assistance to any community located near a military installation to which functions shall be transferred as a result of such closure or realignment.

3. Carry out activities for the purposes of environmental restoration and mitigation at an installation being closed or realigned. This includes reducing, removing and recycling hazardous waste, and removing unsafe buildings and debris.

4. Offer outplacement assistance to civilian employees employed by the DoD at installations being closed or realigned.

5. Reimburse other federal agencies for actions performed at the request of the Secretary of Defense with respect to any such closure or realignment.

130203. DoD Overseas Military Facility Investment Recovery Account

A. The U.S. Treasury symbol for the receipt account (funds deposited in the DoD Overseas Military Facility Investment Recovery Account Deposits, DoD) are 97X5193.017, .057, .021, and .097, as applicable. The U.S. Treasury symbol for the special fund account (expenditure of funds from the account) is 97X5193.

B. Except as offered in subparagraph 130203.C, funds deposited into this account shall be amounts paid to the United States, pursuant to any treaty, status of forces agreement, or other international agreement to which the United States is a party, for the residual value of real property or improvements to real property used by DoD civilian or military personnel.

1. Steps shall be taken to ensure that the United States receives, through direct payment or otherwise, consideration equal to the fair market value (FMV) of the improvements made by the United States at facilities scheduled for release to host countries. Determine the FMV for such improvements on a facility-by-facility basis.

2. The term “fair market value of the improvements” means the value of improvements on the basis of their highest use.

3. The term “improvements” includes new construction of facilities and all additions, improvements, modifications, or renovations made to existing facilities or to

real property, without regard to whether they were carried out with appropriated or nonappropriated funds.

C. In the case of a payment for the residual value of real property or improvements at an overseas military facility, deposit the portion of the payment that is equal to the depreciated value of the investment made with nonappropriated funds into the "Reserve Account" not in the "DoD Overseas Military Facility Investment Recovery Account."

D. Subject to availability, funds in the account may be used by the DoD for payment, as shown in appropriations acts, of costs incurred by the DoD in connection with:

1. Facility maintenance, repair and environmental restoration at military installations in the United States.

2. Facility maintenance, repair and compliance with environmental laws at military installations outside the United States that the Secretary of Defense anticipates shall be occupied by the U.S. Forces for an extended period of time.

130204. Reserve Account

A. The U.S. Treasury symbol for the receipt account (funds deposited into the Reserve Account) is 97X5195.1. The U.S. Treasury symbol for the special account (expenditure of funds from the Reserve Account) is 97X5195. This account is identified as "Use of Proceeds from the Transfer or Disposition of Commissary Facilities."

B. The transfer or disposal of a commissary or nonappropriated fund (NAF) facility shall be connected with the closure or realignment of a military installation. Deposit into this account a portion of the proceeds equal to the depreciated value of the investment made in any real property or facility acquired, constructed or improved (in whole or in part) with commissary store funds or nonappropriated funds.

C. If the proceeds from the transfer or disposal of any real property or facility acquired, constructed or improved (in whole or in part) with commissary store funds or nonappropriated funds are greater than the depreciated value, then the excess amount shall be deposited into the appropriate base closure account, not the Reserve Account.

1. The term "commissary store funds" means funds received from the adjustment of, or surcharge on, selling prices at commissary stores fixed under 10 U.S.C. 2685.

2. The term "nonappropriated funds" means funds received from a NAF instrumentality. (See the "Definitions" section of Volume 13, "Nonappropriated Funds Policy and Procedures.")

3. The term "nonappropriated fund instrumentality (NAFI)" means an instrumentality of the United States under the jurisdiction of the Armed Forces (including the Military Exchange Services) that is conducted for comfort, pleasure, contentment, or physical or

mental improvement of members of the Armed Forces. (See the "Definitions" section of Volume 13.)

4. The depreciated value of the investment made by NAF shall be computed in accordance with Volume 13, Chapter 3.

D. Subject to availability, funds in the account may be used for the purpose of acquiring, constructing, or improving commissary stores, and real property and facilities for NAF instrumentalities.

E. DoD Components are responsible for ensuring that budgeting and accounting procedures can separately identify the following:

1. Commissary

2. Exchange system

3. All other NAFI balances in the Reserve Account.

1303 BUDGET AND ACCOUNTING RESPONSIBILITIES

130301. Requests for Funds

A. DoD Components

1. DoD Base Closure Account Financial Plan. The Military Departments and Defense Agencies, in cooperation with, and at the direction of, the Under Secretary of Defense for Acquisition, Technology, and Logistics, or designee, the Director, Office of the Secretary of Defense BRAC Office, shall submit a financial plan to the Directorate for Military Construction, Office of the Deputy Comptroller (ODC) (Program/Budget), Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), supported by a "DoD Base Closure Account Financial Plan," (Format 460-BC) (Figure 13-1), to request allocations of base closure funds. For planned military construction and family housing construction requirements, list separately on the financial plan each project to be executed using requested base closure funds. Also submit a separate narrative explanation for other planned expenditures to the Directorate for Military Construction, ODC(P/B), in sufficient detail on the Format 460-BC to support the DoD Component financial plan. Host DoD Components are responsible for coordination with all affected tenant activities, including Defense Agencies, Defense Medical Facilities Office, Reserve Components, and nonappropriated fund activities. Tenant activities shall identify specific base closure program requirements to their host DoD Component.

* 2. BRAC 2005 Reprogramming Procedures. Section 2905A(f) of the Defense Base Closure and Realignment Act of 1990, as amended by the FY 2008 National Defense Authorization Act, Section 2704, (P.L. 110-181) specifies certain cost and scope limits on those BRAC 2005 military construction projects with costs equal to or in excess of $5 million, as follows:

a. Cost may not be increased or reduced by more than 20% or $2M than the authorized amount, whichever is less.

b. Scope may not be reduced by more than 25% from the scope specified in the most recent budget justification material.

These limits do not apply if the Secretary of Defense makes a determination that an increase or reduction in cost or a reduction in the scope of work for a military construction project or military family housing project "needs to be made for the sole purpose of meeting unusual variations in cost or scope." If such a determination is made, then the DoD must notify the congressional defense committees not later than 21 days before the date on which the variation is made (or 14 days if notification submitted electronically). DUSD(I&E) memorandum of 27 February 2008 delegated notification responsibility to the DoD Components contingent upon OUSD(C) and OSD BRAC Office concurrence.

B. Directorate for Military Construction, ODC(P/B). This office shall initiate the SF 132 ("Apportionment and Reapportionment Schedule") for the appropriate base closure account for submission to the Office of Management and Budget (OMB) for its approval.

130302. Funds Distribution

A. Directorate for Military Construction, ODC(P/B). This office shall, upon approval by the OMB of the SF 132 for the base closure account, provide a Fund Authorization Document to the applicable component for recording in the agency-level accounting records.

B. Director, Defense Finance and Accounting Service (DFAS). The Director of the DFAS shall obtain and record, in the departmental-level accounting records, a TFS Form 6200 ("Appropriation Warrant") for the base closure accounts. Table 13-1 illustrates the most common entries used for this account.

Table 13-1 Accounting Entries For Recording Warrants

Dr 4119 Other Appropriations Realized Cr 4450 Unapportioned Authority
Dr 1010 Fund Balance With Treasury Cr 3101 Unexpended Appropriations
To record the appropriation warrant (TFS Form 6200).

C. DoD Components. The DoD Components shall:

1. Record the Fund Authorization for the base closure accounts received from the Directorate for Construction, ODC(P/B). Table 13-2 illustrates the most common entry used to accomplish this action.

Table 13-2 Accounting Entries For Fund Authorization

Dr 4450 Unapportioned Authority Cr 4510 Apportionments To record the Fund Authorization received from ODC(P/B).

2. Receive and record the allocations of base closure funds received from Directorate for Construction, ODC(P/B), subdivide the allocations of the base closure accounts by subaccount, and distribute the base closure funds to the installations responsible for base closure actions. Each DoD Component shall distribute the base closure funds to its installations in accordance with its normal fund distribution procedures. The applicable subaccounts are shown in Table 13-3.

Table 13-3 Base Closure Accounts by Sub-Account

Military Construction: Construction a. (Project) b. (Project) Planning and Design NOTE: The military construction subaccount shall be reserved for projects listed individually on the Format 460 accompanying the fund allocation document. **Family Housing:** Construction a. (Project) b. (Project) Planning and Design Operations

BASE CLOSURE ACCOUNTS BY SUBACCOUNT (continued)

Operation and Maintenance (O&M):

Civilian Severance Pay
Civilian Permanent Change of Station (PCS)
Transportation of Things
Facilities Sustainment
Program Management (civilian work years, travel, and related support dedicated to implementation efforts)

Environmental:

Includes environmental restoration, including reducing, removing, and recycling hazardous wastes, and removing unsafe buildings and debris; Memoranda of Agreements between Defense and States (DSMOA), and reimbursements to the Agency for Toxic Substance and Disease Registry (ATSDR); and mitigation efforts associated with a military installation closure or realignment. Mitigation efforts do not apply to the DoD Base Closure Account.

Community Programs:

Community Planning Assistance: For communities located near a military installation to which functions shall be transferred as a result of a closure or realignment of a military installation.

Economic Adjustment Assistance: For communities located near a military installation being closed or realigned.

Federal Agencies Reimbursement:

Includes reimbursements to other federal agencies for actions, other than for environmental activity discussed above, performed with respect to any closure or realignment.

Military Personnel:

Limited to PCS and TDY expenses dedicated to implementation efforts.

Procurement-type Items:

The procurement account should be limited to investment items in accordance with the expense/investment criteria.

Other Costs:

Expenses, other than those above, associated with base closure and realignment efforts.

3. Account for the receipt and allotment of the allocations using the entries in Table 13-4.

Table 13-4 Accounting Entries For Recording Allocations

Dr 4550 Internal Fund Distributions Received Cr 4560 Funds Available For Allotment Dr 1010 Fund Balance With Treasury Cr 3101 Unexpended Appropriations To record receipt of an allocation of direct program obligational authority. Dr 4560 Funds Available For Allotment Cr 4570 Allotments Issued Dr 1010 Fund Balance With Treasury Cr 3101 Unexpended Appropriations To record the allotment of direct program obligational authority to a subordinate activity.

130303. Plan Execution

The DoD Components shall:

A. Record the allotment of base closure funds provided to installations. Table 13-5 illustrates the entries to record the allotment.

Table 13-5 Accounting Entries for Recording Allotments for Base Closure Accounts

Dr 4580 Allotments Received Cr 4610 Allotments--Realized Resources Dr 1010 Fund Balance With Treasury Cr 3101 Unexpended Appropriations To record receipt of an allotment.

B. Implement base closure and realignment actions and administer their allocation of base closure funds in accordance with their approved financial plan.

1. Table 13-6 illustrates the entries for recording expenses that result in a fund outlay and that are incurred as a result of a DoD base closure.

Table 13-6 Accounting Entries for Recording Expenses/Expenditures for Base Closure Accounts

Dr 4610 Allotments--Realized Resources Cr 4902 Delivered Orders Accrued Expenditures --Obligations, Paid and Dr 6100 Operating Expenses/Program Costs Cr 1010 Fund Balance With Treasury To record expenditure of an allotment.

2. Losses that do not result in a fund outlay and that are incurred as a result of a DoD base closure shall be accounted for as an extraordinary loss. Table 13-7 illustrates these entries.

Table 13-7 Accounting Entries For Recording An Extraordinary Loss (Or Gain) That Does Not Result In Fund Outlay

Dr 1739 Accumulated Depreciation on Buildings, Improvements and Renovations Dr 1749 Accumulated Depreciation on Other Structures and Facilities Dr/Cr 7300 Extraordinary Items (Debit for Loss or Credit for Gain) Cr 1711 Land and Land Rights Cr 1730 Buildings, Improvements and Renovations Cr 1740 Other Structures and Facilities To record extraordinary loss (or gain) that does not result in a fund outlay from base closures.

C. Rephase planned execution of the financial plan as the situation dictates, and with the prior approval of the Under Secretary of Defense for Acquisition, Technology, and Logistics or designee, the Director for Base Closure and Utilization, and in coordination with the Directorate for Construction, ODC(P/B). A revised Format 460-BC and supporting documentation shall be prepared that reflects the changes in the financial plan.

1304 REPORTING RESPONSIBILITIES

130401. DoD Components

The DoD Components shall prepare and submit reports to the appropriate DFAS site on the status of its allotments. At a minimum, these reports shall offer detail for each subaccount specified in a Fund Authorization document provided by OSD (see subparagraph 130302.C). Submit these reports in accordance with a schedule of due dates to be provided by the DFAS.

130402. Defense Finance and Accounting Service

A. Establish base closure accounts with the Department of the Treasury.

B. Post SF 1151 ("Nonexpenditure Transfer Authorizations") transactions, as necessary, for the base closure accounts.

C. Prepare departmental-level appropriation and fund status reports as required by Volume 6, Chapter 4, for the base closure accounts administered by the Military Departments and Defense Agencies.

D. Prepare Chief Financial Officer reports for all base closure accounts.

E. Offer consolidation of appropriate financial reports to produce Treasury Index 97 financial reports on a pass-through basis.

F. Subject to the approval of the OUSD(C), supplement this guidance with additional procedures, as may be required.

1305 ADMINISTRATION OF BASE CLOSURE FUNDS

130501. Appropriated Fund Activities

Expenses, losses, or other events occurring at an appropriated fund activity as a direct result of a DoD base closure action, which result in a cash outlay, are eligible for reimbursement from the applicable DoD Base Closure Account. Expenses, losses, or other events not resulting in a cash outlay by an appropriated fund activity are not eligible for reimbursement. Expenses, losses, or other events that result in a cash outlay (vice expenses, losses, or other events that do not result in a cash outlay) are dependent largely upon the unique circumstances in existence at a particular activity subject to closure. The general guidance on those two categories of expenses and losses are:

A. Expenses that Ordinarily Result in a Cash Outlay

1. Military Construction projects, including planning and design efforts, for which base closure funds are requested.

2. Family Housing projects, including construction, planning and design, and operations for which base closure funds are requested.

3. Operations and Maintenance-type efforts including civilian severance pay, civilian permanent change of station (PCS), outplacement assistance transportation of things, facilities sustainment, and program management (civilian work years, travel, and related support dedicated to implementation efforts).

4. Environmental projects including environmental restoration (reducing, removing, and recycling hazardous wastes, and removing unsafe buildings and debris), Memoranda of Agreements between the DoD and the various states, and reimbursements to the Agency for Toxic Substance and Disease Registry (ATSDR).

5. Community Programs including economic adjustment assistance to a community in which the closed base is located, or community planning assistance to the community to which functions shall be transferred as a result of a closure or realignment of a military installation.

6. Federal agencies including reimbursements to other Federal agencies for actions, other than for environmental activity discussed in subparagraph 130501.A.4, performed with respect to any closure or realignment.

7. Military Personnel, limited to PCS and TDY expenses dedicated to implementation efforts.

8. Procurement-type Items for those items normally purchased with procurement appropriations.

9. Other expenses associated with base closure and realignment efforts.

B. Losses that Do Not Ordinarily Result in a Cash Outlay. Losses on real property or facilities sold, leased, transferred, or disposed of in connection with the closure or realignment of a military installation.

130502. Disposition of DoD Base Closure Assets

The loss (or gain) from the sale, lease, or other disposal of assets shall be recorded by the activity having financial custody of those assets. The sale, lease, or other disposal action shall only be recorded in proprietary accounts of that installation. Any proceed generated from the sale, lease, or other disposal action of assets does not add to, or otherwise affect, the budgetary accounts of that activity. Table 13-8 illustrates these entries.

Table 13-8 Accounting Entries For Extraordinary Loss (Or Gain) Resulting From The Sale Or Other Disposal of Base Closure Assets

Dr 1010 Fund Balance With Treasury	
Dr 1739 Accumulated Depreciation on Buildings, Improvements and Renovations	
Dr 1749 Accumulated Depreciation on Other Structures and Facilities	
Dr/Cr 7300 Extraordinary Items (Debit for Loss or Credit for Gain)	
	Cr 1711 Land and Land Rights
	Cr 1730 Buildings, Improvements and Renovations
	Cr 1740 Other Structures and Facilities
To record extraordinary loss (or gain) resulting from the sale or other disposal of base closure assets.	

Figure 13-1 DOD BASE CLOSURE ACCOUNT FINANCIAL PLAN

DOD BASE CLOSURE ACCOUNT FINANCIAL PLAN		SERVICE FISCAL YEAR OF APPROPRIATION (Dollars, in Thousands)			SUBMISSION NO. As of:	
INSTALLATIONS/PROJECT(S)	PROGRAM AMOUNT	CHANGE AMOUNT	PREVIOUSLY APPROVED	PROPOSED	QT	OSD APPROVED
(a)	(b)	(c)	(d)	(e)	(f)	(g)
A Military Construction 1. Construction a. (Project) b. (Project) 2. Planning and Design						
B Family Housing 1. Construction a. (Project) b. (Project) 2. Planning and Design 3. Operations						
C Operation and Maintenance (O&M) 1. Civilian Severance Pay 2. Civilian PCS 3. Transportation of Things 4. Facilities Sustainment 5. Program Management						
D. Environmental						
E Community Programs 1. Community Planning 2. Economic Assistance						
F. Federal Agencies						
G. Military Personnel						
H. Procurement-type Items						

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 12: "SPECIAL ACCOUNTS, FUNDS AND PROGRAMS"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 12, CHAPTER 13 ANNEX 2: "ARMY DEFENSE WORKING CAPITAL FUND BASE CLOSURE AND REDUCTION IN FORCE ACTIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

There are no previous versions of this Annex archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE

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ANNEX 2

ARMY ANNEX ARMY DEFENSE WORKING CAPITAL FUND BASE CLOSURE AND REDUCTION IN FORCE ACTIONS

A. SPECIAL CONSIDERATIONS FOR DWCF BASE CLOSURE AND REDUCTION IN FORCE (RIF) ACTIONS

1. Applicability

The policies in this section apply to the inactivation and/or decapitalization of Defense Working Capital Fund (DWCF) activities. Major unresolved problems shall be referred through the Major Army Command (MACOM) and U.S. Army Finance Command (USAFINCOM) to the DFAS Indianapolis, ATTN: DFAS/AHCB/IS, 8899 East 56th Street, Indianapolis, IN 46249-2130.

2. Reimbursable Expenses

Expenses resulting from base closure, decapitalization, and reduction actions from appropriated funds shall be reimbursed to the DWCF.

3. Closeout and Disposition Procedures

After notification of the approval from the Under Secretary of Defense (Comptroller) (USD(C)) to inactivate assets and liabilities, the following procedures shall be used for closeout and disposition:

a. Establishment of Completion Date. Establish a date for completion of work and services. This date shall precede the previously announced closing date by sufficient time to permit an orderly liquidation of the activity's accounts.

b. Notification of Closing Date. Notify promptly all customers, creditors, and other interested parties of the closing date.

c. Status of Orders. Advise customers of the status of the orders to be completed before closing and the estimated total cost. Also identify those orders that shall not be completed.

d. Close-out Procedures. Ship incomplete work as directed, bill customers, collect accounts receivable, and reduce work-in-process to zero before the closing date.

4. Overhead and Accelerated Labor Rates

Overhead and accelerated labor shall be applied to individual jobs or services at the fixed rate established on receipt of the base closure notification. Derive the fixed rates from the overhead rates in effect at the time of the base closure notification. Consider any increase in actual overhead or any increase over normal sick leave usage from the effect of the base closure as costs incidental to the closure. Fund that portion identified as an increase to these costs from

the operating appropriations of the managing Department of the Army (DA) component. Do not revise fixed-price agreements to include base closure costs. Attribute overruns and fixed-price variances occurring after notification to the decline in direct man-hour productivity. Finance with the operating appropriation of the managing DA activity.

5. Workload Analysis

Make a detailed analysis of diminishing workload in relation to overhead expenses made to ensure that all costs are properly charged to customers. Freeze overhead rates and apply to customers' orders. When warranted, adjust for unforeseen and unprogrammed expenses. Do not change these rates without DFAS/AHCB/IS approval.

6. Use of Local Funding for Base Closures

Do not change expenses arising from decisions to close bases or reduce activity to DWCF customers' orders. Reimburse these costs from the operating appropriation of the DWCF command responsible for management control of the activity. The command responsible for management control of the closing activity shall ensure adequate and timely funding of the base closure costs. A limited amount of costs may be incurred under locally established orders. Do not perpetuate this temporary device.

7. Source of Funding for Plant Pending Disposition of Facilities and Equipment

Charge costs of plant closing, layaway, and custody to operating appropriations. Examples of these costs are equipment layaway, preservation, and operation and maintenance expenses of facilities and equipment held in standby or pending disposition.

8. Redistribution of Residual DWCF Inventories

Redistribution of residual DWCF inventories (Packing, Crating, Handling, and Transportation (PCHT)) is a base closure cost. Redistribute other inventories, although physically located under custody of the DWCF activity, separately from appropriations available for supply support operations. This includes DWCF supply management (SMA) materiel. Fund PCHT costs incurred in the transfer of any equipment to nonArmy activities with funds provided by the recipient.

9. Travel and Transportation Expenses for Employees Involuntarily Separated

Charge travel and transportation expenses of employees scheduled for involuntary separation to the operating appropriation.

10. Phase Down Expenses

Charge other phase down expenses to the appropriation specifically designated by the managing command. These expenses include, but are not limited to, the following:

a. Facility Turnover to GSA. Preparation of facilities for turnover to the General Services Administration (GSA).

b. Travel and transportation of employees placed with other DA activities before separation.

c. Nonproductive time of employees.

d. Retraining programs.

e. Personnel placement teams.

11. Transfer of General-Purpose Equipment and Other Nonproduction Equipment

Charge costs incurred in transferring general-purpose equipment and other nonproduction equipment from use to storage within another DWCF activity to the operating appropriation. This includes PCHT costs. The DFAS/AHCB/IS shall designate the specific project account to be used with the formal announcement of installation inactivation or activity reduction.

12. Command Channel Funding

Funds shall be issued through command channels for expenses incurred for plant closing, layaway, custody, and property disposal operations, based on requirements submitted by the DWCF facility.

13. Fund Citations

The DWCF facility shall request and obtain citations of funds directly from nonArmy activities claiming equipment or accepting employees as a result of inactivation or reduction actions.

14. Temporary Duty Funds

The DWCF facility shall receive funds through command channels for transportation and temporary duty (TDY) travel of DWCF employees in functional transfers.

15. Payroll Costs of Nonmission Essential Employees

Identify separately the payroll costs of nonmission essential employees in the activities accounts until such employees are transferred or terminated. Nonmission essential employees are those employees who are no longer required to support the mission of the installation and who are kept on the payroll pending a job offer or for retraining. For this purpose, payroll costs include:

a. Sick Leave Payments. All sick leave payments made after date of closure to former employees whose final release is delayed pending disability retirement

b. Base Pay, Retirement and Disability Funds. Base pay plus the federal government's share of retirement and disability funds

c. Federal Insurance Contributions Act (FICA).

d. Federal Employees Health Benefit Programs (FEHBP).

e. Federal Employees Group Life Insurance (FEGLI).

f. Medicare.

16. Accrued Leave Liability

Identify separately the accrued annual leave liability for such personnel in the accounting records at the time the nonmission essential status.

17. Reimbursable Payroll Costs for Nonproductive Employees

Reimburse payroll costs identified to nonproductive employees from the operating appropriation of the supervisory command. These payroll costs are less annual leave taken, and are charged to the separately identified accrued annual leave liability accounts. Upon exhausting the separately identified accrued annual leave by specific employee, reimburse total payroll costs to the DWCF from the operating appropriation.

18. Severance Pay

The DWCF shall pay severance pay to employees involuntarily separated from federal government service (RIF action). If the severance pay is initially accrued and paid by DWCF, then transfer the pay costs to the activity's accounts provided. Reimburse the DWCF from the operating appropriation.

19. Leave Liabilities

When transferring nonproductive personnel from one DWCF activity to another, the leave liability and the resources to liquidate the liability shall also transfer. If the employees' total earned leave exceeds the separately identified leave balance, then the receiving activity shall absorb the difference.

20. Annual Leave Liability

When transferring nonproductive personnel from a DWCF activity to a nonDWCF DoD activity, the losing activity shall account for the balance of the annual leave liability.

21. "Get Well Situations"

In no instance may base realignment and closure funds be used for "get well" projects unrelated to closure or realignment.

VOLUME 12, CHAPTER 14: "TRANSFERRING, DISPOSING, AND LEASING OF REAL PROPERTY AND PERSONAL PROPERTY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by a * preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated October 1999 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Table of Contents	Added Table Of Contents.	Update
Multiple	Revised and reformatted for clarity and readability. Removed redundant paragraphs. Added hyperlinks. Updated references to U.S. Code sections.	Update
Multiple	Revised to reflect revision of 10 U.S.C §2667 by the FY 2008 and FY 2009 Defense Authorization acts and other legislation.	Update
140103	Added Scope section for clarity.	Clarify
140201.C	Added guidance for easements from 10 U.S.C 2668.	Add
140201.D	Added guidance related to the authority to convey surplus real property for natural resource conservation per 10 U.S.C. 2694a.	Add
140201.E and throughout	Revised to reflect repeal of 10 U.S.C §2667a and incorporation of those provisions into 10 U.S.C. §2667. As a result, §2667 now applies to leases of property by Defense Agencies as well as by Military Services.	Update
140202 - Table 14-1	Added table of Special Fund Treasury Fund Symbols for clarity.	Clarify
140204.B to 140204.F	Added and clarified reporting and notification requirements.	Add / Update
140204.B (prior version)	Paragraph deleted. The §2667 requirement to report annually to Congress regarding leases and the use of lease proceeds was repealed by §1041(a)(18) of the FY2003 Defense Authorization act (Public Law 107-314).	Delete
140205.A.3 and A.4	Revised and updated accounting and documentation guidance for transfers.	Add / Update

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
140205.A.3 140205.B.4 140205.C.7 140206.C.2 140207.C	Updated reference from United States Standard General Ledger (USSGL) Treasury Financial Manual to USSGL Standard Financial Information Structure (SFIS) Transaction Library.	Update
140205.B.3 and B.4	Clarified guidance on use of proceeds and updated accounting guidance.	Update
140205.B.3 (prior version)	Deleted obsolete guidance related to the use of F33875, Budget Clearing Account (Suspense).	Delete
140205.C.3 to C.7	Corrected guidance for use of proceeds from leases. Added additional accounting guidance.	Correct / Add
140206	Added guidance for receiving, reporting and accounting for in-kind consideration for leases.	Add
140207.A.4 and A.5	Updated to reflect revision to 10 U.S.C. §2695.	Update
140207.C	Added accounting guidance.	Add
Table 14-1 Table 14-2 (prior version)	Deleted display of accounting entries and provided a link to the USSGL SFIS Transaction Library in related subparagraphs, the authoritative source for accounting entries.	Delete

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CHAPTER 14

TRANSFERRING, DISPOSING, AND LEASING OF REAL PROPERTY AND PERSONAL PROPERTY

1401 OVERVIEW

140101. Purpose

This chapter provides financial procedures for the disposal, transfer, and leasing of real property, and the transfer and lease of personal property. Financial procedures for the disposal of personal property are addressed in Volume 11A, Chapter 5.

140102. Authorities

Title 40, United States Code (U.S.C.) §572(b), "Proceeds from Sale or Transfer: Real Property," governs the proceeds from the disposal of real property under the control of a military department. ***Title 10, U.S.C. §2667***, "Leases: non-excess property of military departments and Defense Agencies," governs leases of Department of Defense (DoD) real and personal property. These sections require that a special fund be established for the deposit of proceeds received from the transfer or lease of real and personal. Proceeds from the lease of property at a military installation designated for closure or realignment shall be deposited in accordance with ***Title 10, U.S.C. §2687***, "Base closures and realignments."

*140103. Scope

Unless otherwise stated, the provisions of this chapter do not apply to:

A. The disposition of proceeds from the sale of surplus personal property. (See Volume 11A, Chapter 5.)

B. Property at a military installation designated for closure or realignment under ***Title 10, U.S.C. §2687***. (See Volume 12, Chapter 13.)

C. Damaged or deteriorated military family housing (see ***Title 10, U.S.C. §2854a***, "Conveyance of damaged or deteriorated military family housing; use of proceeds").

D. The lease of defense articles in the stocks of DoD to an eligible foreign country or international organization under ***Title 22, U.S.C. §2796***.

E. Transfer of defense articles to Iraq under the National Defense Authorization Act for Fiscal Year 2008 (***Public Law 110-181***), section 1228.

F. Proceeds from the disposal of property received as gifts under ***Title 10, U.S.C. §2601***. (See Volume 12, Chapter 30.)

1402 POLICY AND PROCEDURES

140201. General

A. ***Title 40, U.S.C. §572(b)***. Real property and related improvements under the control of a Military Department (other than property at a military installation designated for closure or realignment) that are determined by the Secretary of the Military Department to be excess to the needs of that Department shall be made available for transfer without reimbursement to other Military Departments. If the property is not transferred to another Military Department, the Secretary of the Military Department shall request the Administrator of the General Services Administration (GSA) to transfer or dispose of such property in accordance with applicable laws. Any proceeds generated from transfer or disposal will be deposited into a special fund Treasury receipt account. Funds deposited into the special fund Treasury receipt account will be distributed to the Military Department(s) by the Under Secretary of Defense (Comptroller) (USD(C)) consistent with applicable appropriation law.

* B. ***Title 10, U.S.C. §2667*** allows the Secretary of a Military Department to lease nonexcess real and personal property under its control that is not needed for a public use for the time that it is leased. This section provides the same authority to the Secretary of Defense (SECDEF) with respect to property under the control of a Defense Agency.

1. Throughout this chapter, the term "Secretary concerned" will mean the Secretary of a military department, with respect to matters concerning that military department; and the SECDEF, with respect to matters concerning the Defense Agencies.

2. All fees received from such leases (other than from leases of property at a military installation designated for closure or realignment) shall be deposited into a special fund Treasury receipt account.

3. Funds deposited into the special fund Treasury receipt account will be distributed to the Secretary concerned by the USD(C) consistent with applicable appropriations law. See paragraph 140205.C.

4. This section does not apply to oil, mineral, or phosphate lands.

* C. ***Title 10, U.S.C. §2668*** allows the Secretary of a military department to grant easements for rights-of-way over, in, and upon public lands under the Secretary's control. This authority is available provided the Secretary of that military department finds that the easement will not be against the public interest.

1. The easement may be made upon such terms as the Secretary considers advisable. The authorized purposes of the easement are listed at paragraph Title 10, U.S.C. §2668,a.

2. Proceeds and in-kind consideration received from the granting of easements will be accounted for in the manner specified for leases of DoD property in ***Title 10, U.S.C. §2667***. See paragraphs 140203.B and 140205.C.

* D. ***Title 10, U.S.C. §2694a*** allows the Secretary of a Military Department to convey certain surplus real property for purposes of natural resource conservation.

1. Surplus property that may be conveyed under this authority is limited to property that:

a. Is under the administrative control of the Secretary;

b. Is suitable and desirable for conservation purposes;

c. Has been made available for public benefit transfer for a sufficient period of time to potential claimants; and

d. Is not subject to a pending request for transfer to another Federal agency or for conveyance to any other qualified recipient for public benefit transfer under the real property disposal processes and authorities in ***Title 40, U.S.C. § 550***, "Federal Property and Administrative Services."

2. Entities eligible to receive surplus property for purposes of natural resource conservation are limited to states, political subdivisions of a state; and nonprofit organizations that exist for the primary purpose of conservation of natural resources on real property.

* E. Repeal of ***Title 10, U.S.C. §2667a***. The Duncan Hunter National Defense Authorization Act for Fiscal Year 2009 repealed §2667a of Title 10, "Leases: non-excess property of Defense agencies" (see ***Public Law 110-417***, section 2812). This authority is now incorporated into ***Title 10, U.S.C. §2667***, as revised, and that section now covers leases by both military services and Defense Agencies. In addition:

1. The repeal of section 2667a does not affect the validity or terms of any lease with respect to property of a Defense Agency entered into by the Secretary of Defense under section 2667a.

2. Amounts deposited in a special account established for a Defense Agency pursuant section 2667a before repeal and amounts that would be deposited in connection with outstanding leases:

a. Remain available until expended for the purposes specified in §2667a, specifically, solely for the maintenance, repair, restoration, or replacement of the leased property; or

b. To the extent provided by appropriations law, may be transferred to the special account described in paragraphs 140203.B and 140205.C.

140202. Special Fund Requirements

The special funds are to be established and operated under the provisions of Volume 12, Chapter 1. The special funds designated by the Treasury for use in connection with ***40 U.S.C. §572*** and ***10 U.S.C. §2667***, are Treasury Fund Symbols 5188, "Disposal of DoD Real Property," and 5189, "Lease of DoD Real Property." These Federal account symbols have been established as no year accounts. These Funds and applicable point accounts are listed in Table 14-1.

*Table 14-1. Special Funds Designated

Special Funds Designated for the Proceeds of Sale and Lease of DoD Property	
Treasury Fund Symbol	**Description**
5188.017	Disposal of Department of Defense Real Property for Navy
5188.021	Disposal of Department of Defense Real Property for Army
5188.057	Disposal of Department of Defense Real Property for Air Force
5188.097	Disposal of Department of Defense Real Property for Defense Agencies
5189.017	Lease of Department of Defense Real Property for Navy
5189.021	Lease of Department of Defense Real Property for Army
5189.057	Lease of Department of Defense Real Property for Air Force
5189.097	Lease of Department of Defense Real Property for Defense Agencies

140203. Special Fund Purposes

A. ***Title 40, U.S.C. §572***. Any net proceeds (gross proceeds less expenses of transferring or disposing of the property) received from the transfer or disposal of real property under Title 40, U.S.C. §572 shall be deposited into special fund Treasury receipt account 5188, "Disposal of DoD Real Property," with point accounts as listed in Table 14-1. See paragraph 140205.B for the appropriate accounting treatment.

B. ***Title 10, U.S.C. §2667(e)(1)***. Funds received from leases of real property entered into pursuant to Title 10, U.S.C. §2667 shall be deposited into the special fund Treasury receipt account 5189, "Lease of DoD Real Property," with point accounts as listed in Table 14-1. Funds received from leases of personal property shall also be deposited into the special fund Treasury receipt account 5189, "Lease of DoD Real Property." See paragraph 140205.C for the appropriate accounting treatment.

140204. Reporting and Notification Requirements

A. ***Title 40, U.S.C. §572(b)(6)***. As part of the annual request for authorization of appropriations by the Armed Services Committee of the Senate and National Security Committee of the House of Representatives, the Department shall include an accounting of each

transfer and disposal of real property made during the fiscal year proceeding the fiscal year in which the request is made. This summary shall include a detailed explanation of such disposal and the use of the proceeds received.

* B. ***Title 10, U.S.C. §2667(c)*** includes specific reporting requirements for leases in which the in-kind consideration is received for all or part of the value of the lease. These reporting requirements are discussed in detail in paragraph 140206.B.

* C. ***Title 10, U.S.C. §2667(e)***. For amounts deposited in Treasury Fund Symbol 5189 as described in paragraph 140205.C, the Secretary concerned may not expend an amount in excess of $500,000 at a single installation until 30 days after the date on which a report on the facts of the proposed expenditure is submitted to the congressional defense committees.

* D. ***Title 10, U.S.C. §2667(h)***. When a proposed lease involves only personal property, the lease term exceeds one year, and the fair market value of the lease consideration exceeds $100,000:

1. Not later than 45 days before entering into the lease, the Secretary concerned shall submit to Congress written notice describing the terms of the proposed lease and the competitive procedures used to select the lessee.

2. The reporting requirement described in this paragraph does not apply to renewal or extension of a certain leases by the Secretary of the Navy for operation of a ship within the University National Oceanographic Laboratory System. See Title 10, U.S.C. §2667(h)(3) for the specific terms of this exception.

* E. ***Title 10, U.S.C. §2667(h).*** If a proposed lease involves a project related to energy production and the term of the lease exceeds 20 years, the Secretary concerned may not enter into the lease until at least 30 days after the date on which the Secretary of Defense submits to the congressional defense committees a certification that the project is consistent with the DoD performance goals and plan.

* F. ***Title 10, U.S.C. §2668***. Copies of instruments granting easements over public lands shall be furnished to the Secretary of the Interior.

140205. Accounting Procedures

A. Transfers of DoD Real Property

1. If a Military Department determines that real property and related improvements under its control (other than property at a military installation designated for closure or realignment) are excess to its needs and are available for transfer to another Military Department, the transfers will be made on a nonreimbursable basis.

2. Both the losing and gaining Military Departments will recognize the transfer of real property in the accounting records. The value of the transfer is the net book value of the assets (acquisition cost of the real property plus the cost of capitalized improvements less accumulated depreciation). If the net book value of the property is not known or cannot be determined, the fair market value at the time of the transfer may be used. The same amount of the transfer must be used by both parties. Detailed explanations for property and fiscal accountability are required as supporting footnotes to the accounting entries.

* 3. Accounting Entries. The accounting entries for transfers between DoD components without reimbursement are standard transactions E510 and E606 specified in the ***United States Standard General Ledger (USSGL) Standard Financial Information Structure (SFIS) Transaction Library***.

* 4. The document "Transfer and Acceptance of Military Real Property" (DD Form 1354) is used to document the transfer of real property between DoD components. See Volume 4, Chapter 6, paragraph 060105.A.2.b.

B. Disposal of DoD Real Property

1. Sale by GSA. If real property is not transferred to another Military Department, the SECDEF shall request that the GSA Administrator dispose of such real property in accordance with the provisions of applicable laws. See ***DoD Instruction 4165.72***, "Real Property Disposal."

2. Deposit of Proceeds. Any consideration (money) received shall be deposited directly into the special fund Treasury receipt account 5188 with the point account specified in Table 14-1. The explanation for this transaction is as follows:

> To record the disposition of real property located at (include a full description and the Real Property Universal Identification (RPUID) number). Monies received were deposited into the special fund account 5188.xxx, "Disposal of DoD Real Property," under cash voucher #_____ in accordance with ***40 U.S.C. §572***.

* 3. Availability of amount deposited. To the extent provided in an appropriation act, an amount deposited in a special account from the disposal of property is available for facility maintenance and repair or environmental restoration as follows:

a. In the case of property located at a military installation that is closed, the amount is available for facility maintenance and repair or environmental restoration by the Military Department that had jurisdiction over the property before the closure of the military installation.

b. In the case of property located at any other military installation:

(1) Fifty percent of the amount is available for facility maintenance and repair or environmental restoration at the military installation where the property was located before it was disposed of or transferred; and

(2) Fifty percent of the amount is available for facility maintenance and repair and for environmental restoration by the Military Department that had jurisdiction over the property before it was disposed of or transferred.

* 4. Accounting Entries. The accounting entries for disposal of real property are specified in the ***USSGL SFIS Transaction Library***, primarily in Category C, "Collections and Receivables" and Category D, "Adjustments, Writeoffs and Reclassifications."

C. Leases of DoD Real and Personal Property

1. Deposit of Funds. Funds received from the lease or easement of real and personal property under ***Title 10, U.S.C. §2667*** and ***Title 10, U.S.C. §2668*** (other than from leases of property at a military installation designated for closure or realignment) shall be deposited into the special fund Treasury receipt account, net of amounts paid for utilities and services furnished to lessees.

2. Services Furnished to Lessees. Payments for utilities and services furnished lessees pursuant to leases shall be treated as a normal reimbursable transaction with funds credited to the appropriation account from which the cost of furnishing the utilities and services was paid.

* 3. Designated Purposes. Funds deposited in account 5189 shall be available to the Secretary concerned for expenditure to the extent provided for in appropriation acts, for the following:

a. Maintenance, protection, alteration, repair, improvement, or restoration (including environmental restoration) of property or facilities.

b. Construction or acquisition of new facilities.

c. Lease of facilities.

d. Facilities operation support.

* 4. Use of Proceeds

a. At least 50 percent of the funds deposited shall be available for the designated purposes at the military installation or Defense Agency location where the property is located.

b. The remainder of the funds deposited shall be available to the Secretary concerned for the designated purposes.

* 5. Agricultural and Grazing. Money rentals received related to a lease for agricultural or grazing purposes may be retained and spent by the Secretary concerned to cover the administrative expenses of agricultural or grazing leases and to cover the financing of multiple-land use management programs at any installation under the jurisdiction of the Secretary. This provision does not apply to lands acquired by the United States for flood control or navigation purposes or any related purpose, including the development of hydroelectric power.

* 6. Leases under Title 10, U.S.C. §2667a. The provisions of this paragraph apply to the proceeds leases of Defense Agency property under Title 10, U.S.C. §2667a (repealed October 2008) only to the extent provided by appropriation law. Otherwise, such proceeds may be used only for costs related to the leased property. See paragraph 140201.E.

* 7. Accounting Entries. The value of lease payments received and payments for services provided will be recognized as revenue. The accounting entries for the recognition of revenue are specified in the ***USSGL SFIS Transaction Library***, primarily in Category C, "Collections and Receivables."

* D. Appropriation Authority. Per section 8034 of the fiscal year 2005 DoD appropriations act, ***Public Law 108-287***, amounts deposited in special accounts established pursuant to ***Title 40, U.S.C. §572*** and ***Title 10, U.S.C. §2667*** during the fiscal year 2005 and in subsequent years remain available until transferred by the Secretary of Defense to current applicable appropriations, at which point they are available for the same time period and the same purposes as the appropriation to which transferred.

*140206. In-Kind Consideration - Leases

A. Acceptance of In-kind Consideration

1. As payment of part or all of the consideration for the lease, the terms of the lease may provide for the alteration, repair, or improvement, by the lessee, of the property leased.

2. In-kind consideration may also be accepted with respect to a lease as follows:

a. Maintenance, protection, alteration, repair, improvement, or restoration (including environmental restoration) of property or facilities under the control of the Secretary concerned.

b. Construction of new facilities for the Secretary concerned.

c. Provision of facilities for use by the Secretary concerned.

d. Provision or payment of utility services for the Secretary concerned.

e. Provision of real property maintenance services for the Secretary concerned.

f. Provision of such other services relating to activities that will occur on the leased property as the Secretary concerned considers appropriate.

B. Reports to Congressional Committees

1. If the in-kind consideration for all or part of the lease is in excess of $500,000, the Secretary concerned may not enter into the lease until 30 days after the date on which a report on the facts of the lease is submitted to the congressional defense committees.

2. If the lease includes in-kind consideration and the total value of the lease is in excess of $750,000:

a. At least 30 days before issuing a contract solicitation or other lease offering, the Secretary concerned shall submit a report to the congressional defense committees. The report will contain a description of the proposed lease and other information described in Title 10, U.S.C. §2667(c)(4)(A) (see ***Public Law 110-417***, section 2812(c)).

b. At least 30 days prior to entering into the lease, the Secretary concerned will submit a second report to the congressional defense committees. This report will update the initial report and contain other information described in Title 10, U.S.C. §2667(c)(4)(B) (see ***Public Law 110-417***, section 2812(c))

C. Accounting for In-kind Consideration

1. Revenue is recognized from exchange transactions when goods or services are provided to the public or another Government entity at a price.

2. Accounting Entries. The accounting entries for in-kind revenue earned are not yet defined in the ***USSGL SFIS Transaction Library***. The USSGL SFIS Transaction Library acknowledges that there are valid accounting events/postings not yet documented. To recognize revenue earned and capitalized assets received, the accounts detailed in Table 14-2 should be used:

*Table 14-2. Accounting For Leases with In-Kind Consideration

Entry	Account	Account Description	Comments
Debit	1010	Fund Balance with Treasury	For cash received from lessee
Debit	1310	Accounts Receivable	For lease payments due from lessee
Debit	1xxx	Appropriate asset account(s)	For capitalized assets received from or constructed by lessee
Debit	6790	Other Expenses Not Requiring Budgetary Resources	For in-kind services and non-capitalizable assets received from lessee
Credit	5200	Revenue From Services Provided	For the full value services provided

140207. Acceptance of Funds to Cover Administrative Expenses

A. In connection with real property transactions with nonfederal persons or entities, ***Title 10 U.S.C. §2695***, states: "…the Secretary of a Military Department may accept amounts provided by the person or entity to cover administrative expenses incurred by the Secretary in entering into the transaction." Acceptance of funds applies to the following transactions:

1. The exchange of real property;

2. The grant of an easement over, in or upon real property of the United States;

3. The lease or license of real property of the United States;

* 4. The disposal of real property of the United States for which the Secretary will be the disposal agent; or

* 5. The conveyance of real property under ***10 U.S.C. §2694a***.

B. Amounts collected for administrative expenses shall be credited to the appropriation, fund or account from which the expenses were paid. The amounts credited shall be merged with funds of an identical appropriation, fund or account and shall be available for the same purposes and subject to the same limitations as these funds.

* C. Accounting Entries. Funds received to cover administrative expenses will be recognized as revenue. Standard accounting entries are specified in the ***USSGL SFIS Transaction Library***.

VOLUME 12, CHAPTER 15: "EDUCATIONAL ASSISTANCE PROGRAMS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated March 1998 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
150102.B.	Provides additional references for the Title 10, U.S.C., Chapter 1607 benefits, the "National Call to Service" program, and the "Benefits Transferred to Dependents" program.	Update
150203.A.5.	Details the expiration of the benefit entitlement for active duty.	Update
150203.B.3.	Provides the benefit entitlement criteria for the Reserve Component members who are ordered to active duty.	Update
150203.B.4.	Provides guidance on benefit entitlement criteria for Reserve Component members who separate because of a disability.	Update
150203.C.	Details benefit criteria for Reserve Component Members supporting Contingency Operations (Title 10, U.S.C., Chapter 1607).	Update
150203.D.	Details benefit criteria for the National Call to Service Incentive program (Title 10 U.S.C., section 510(e)).	Update
150203.E.	Details benefit criteria for the 38 U.S.C. Chapter 30 benefits Transferred to Dependents program (Title 38, U.S.C., section 3020).	Update
150203.F.	Provides clarification on maximum combined eligibility for multiple benefit programs.	Update
150303.B.	Details the Reserve Educational Assistance Program (REAP) for Reserve Component Members Supporting Contingency Operations and Other Specified Missions (Title 10, U.S.C., Chapter 1607).	Update
150503	Details FY 2007 monthly benefit rates for members who are entitled to basic education assistance with regard to REAP.	Update
150702.A.	Details contribution reporting requirements for the active duty appropriations.	Update

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
150702.B.	Details contribution reporting requirements for the Reserve and National Guard appropriations.	Update
150704.A.	Update to office symbol for the DFAS Trust Fund Investment Office.	Update
150802	Update to e-mail address when requesting a fund transfer from the trust fund to DVA.	Update

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CHAPTER 15

EDUCATIONAL ASSISTANCE PROGRAMS

1501 OVERVIEW

150101. Purpose

This chapter provides guidance relative to financial operations of and recording transactions for the Educational Assistance Programs and establishes the accounting principles and standards relative to those requirements.

150102. General

A. Entitlements under the Educational Assistance Programs are established by law and are available to any person meeting eligibility requirements. Authorizations for entitlements constitute a binding obligation on the part of the Federal Government, and eligible recipients may have legal recourse if the obligation is not fulfilled. Legislation authorizing entitlements does not necessarily include a corresponding appropriation of funds; thus, the subsequent enactment of appropriations may be necessary.

* B. Entitlements for veteran educational assistance shall be established in accordance with ***DoD Directive 1322.16***, "Montgomery GI Bill (MGIB) Program (dated June 18, 2002, USD(P&R)),**"** ***DoD Instruction 1322.17,*** "Montgomery GI Bill for the Selected Reserve (dated November 29, 1999, ASD(RA)),**"** Directive-type Memorandum, "Interim Procedures for Implementing the Program of Educational Assistance Authorized Under the Provisions of ***Chapter 1607, Title 10, U.S.C***. (dated March 7, 2006, ASD(RA)),**"** the "National Call to Service Implementation Memorandum (dated September 6, 2003, USD(P&R)" (10 U.S.C. section 510(e)); and Benefits Transferred to Dependents (***Chapter 30, 38 U.S.C. section 3020***).

1502 EDUCATIONAL ASSISTANCE PROGRAMS

150201. Background

The Veteran's Educational Assistance Act of 1984 (P.L. 98-525) referred to as the Montgomery GI Bill (MGIB), provides for an educational assistance program to aid in the recruitment and retention of members of the Armed Forces and the readjustment of members to civilian life after their separation from military service. The Act also provides a program of educational assistance to aid in the recruitment and retention of members of the Selected Reserve.

150202. Accounting Treatment

The accounting treatment to be followed for entitlement programs depends on the program and the nature and other circumstances surrounding the requirements to pay benefits. Generally, the unexpended appropriation shall be reduced by the amount of the liability and

recorded as a financing source when the liability and expense are recognized. Specific payment procedures for each education benefit program are outlined below.

150203. Eligibility Requirements

* A. Active Duty (***Chapter 30, Title 38 U.S.C.***). Eligibility is obtained when an individual:

* 1. First becomes a member of the Armed Forces but expires 10-years after the member separates.

2. Does not disenroll from the basic program.

3. Has their pay reduced by $100 per month for the first 12 months of active duty.

4. Meets the initial Service-defined criteria for additional or supplemental benefits of any type.

* 5. Members who are separated from active duty because of a disability which was not the result of the individual's own willful misconduct incurred on or after the date on which that member became entitled to educational assistance, such member's entitlement to educational assistance expires at the end of the 10-year period beginning on the date on which the member was discharged or was released from active duty.

B. Selected Reserve (***Chapter 1606, Title 10, U.S.C.***)

1. Members of the Selected Reserve who meet all of the following criteria are entitled to educational assistance:

a. On or after July 1, 1985, enlisted, reenlisted or extended an enlistment in a Reserve component for service in the Selected Reserve for a period of not less than 6 years or, in the case of officers, agree to serve in the Selected Reserve for 6 years beyond any existing Selected Reserve service obligation.

b. Completed the requirements for award of a high school diploma or equivalency certificate before applying for benefits (Reference ***10 U.S.C. 16132(a)***).

c. Completed the initial period of active duty for training required of the member.

2. Each person who becomes entitled to educational assistance shall be given a written ***DD Form 2384-1***, Notice of Basic Eligibility summarizing the provisions of ***10 U.S.C. Chapter 1606***. This notice provides a date of basic eligibility contingent on meeting initial eligibility criteria established in subparagraph 150203.B.1 above.

* 3. Period of Entitlement. Member's entitlement to educational assistance expires at the end of the 14-year period beginning on the date on which the member became entitled to such assistance or on the date the member separates from the Selected Reserve, whichever occurs first. However, the expiration of a Service member's entitlement who is ordered to active duty under an order issued under sections ***12301(a), 12301(d), 12301(g), or 12304 of 10 U.S.C.*** shall be extended beyond the 14-year period or the date the Service member separated from the Selected Reserve by the length of the period of active duty plus 4 months.

* 4. Members who are separated from the Selected Reserve because of a disability which was not the result of the individual's own willful misconduct incurred on or after the date on which that member became entitled to educational assistance, such member's entitlement to educational assistance expires at the end of the 14-year period beginning on the date on which the member became entitled to such assistance.

* C. Reserve Component Members Supporting Contingency Operations (***Chapter 1607, Title 10, U.S.C.***)

1. Reserve Component members supporting contingency operations and National Guard Members supporting certain operational requirement who meet all of the following criteria are entitled to educational assistance:

a. Reserve Component member ordered to active duty in support of a contingency operation and served for 90 consecutive days or more on or after September 11, 2001.

b. A member of the Army or Air National Guard, ordered to duty under Section _, for 90 consecutive days or more if the duty performed was authorized by the President or Secretary of Defense for the purpose of responding to a national emergency declared by the President and supported by federal funds, and 90 or more consecutive days of such duty occurred on or after September 11, 2001.

2. Members released from duty before completing 90 consecutive days because of an injury, illness, or disease incurred or aggravated in the line of duty (Line of Duty determination required) shall be entitled to educational assistance at the rate prescribed in Section ***16162(c)(4)(A) of Title 10, U.S.C.***.

3. Active Guard and Reserve members may qualify for this benefit but only if their name is listed on an individual or collective by name list of personnel stating that they have been mobilized and/or deployed to support a qualifying mission as described in subparagraphs 150203.C.1. or 150203.C.2., above.

4. An Active Guard or Reserve member cannot gain eligibility by merely providing support (even if direct support) to a mobilized portion of the unit unless the Active Guard or Reserve member is mobilized or deployed as provided in subparagraph 15203.C.2.3., above.

5. To retain eligibility for educational assistance under ***10 U.S.C. Chapter 1607***.

a. A member who was serving in the Selected Reserve at the time the member was ordered to active duty or full-time National Guard duty must continue to serve in the Selected Reserve, except, under regulations prescribed by the Secretary of Defense, educational assistance may be provided to a member of the Selected Reserve who incurs a break in service in the Selected Reserve of not more than 90 days if the member continues to serve in the Ready Reserve during and after such break in service;

b. A member who was serving in the Individual Ready Reserve to the time the member was ordered to active duty must continue to serve in the Ready Reserve (either the Selected Reserve or the Individual Ready Reserve).

* D. National Call to Service (***10 U.S.C. 510(e)***). The National Call to Service (NCS) Incentive program requires a participant to perform a period of national service to be eligible for benefits.

1. There is a three-tiered service requirement to qualify for incentives under the NCS program:

a. First, after completion of initial entry training, individuals must serve on active duty in a military occupational specialty designated by the Secretary of Defense for a period of 15 months.

b. After this, and without a break in service, these individuals must serve either an additional period of active duty as determined by the Secretary of Defense, or a period of 24 months in an active status in the Selected Reserve.

c. After completion of this period of service, and also, without a break in service the remaining period of obligated service specified in the agreement will be served as follows:

(1) On active duty in the armed forces.

(2) In the Selected Reserve.

(3) In the Individual Ready Reserve.

(4) In Americorps, or another domestic national service program jointly designated by the Secretary of Defense and the head of such a program.

2. Any combination of the service referred to above may also be approved by the Secretary of the Military Department concerned pursuant to regulation prescribed by the Secretary of Defense and specified in the agreement.

3. Individuals who participate in this program have a choice of incentives as follows:

a. Cash bonus of $5,000.

b. Repayment of a qualifying student loan not to exceed $18,000.

c. Entitlement to allowance equal to the 3-year monthly 38 U.S.C. Chapter 30 rate for 12 months ($1,101 effective October 1, 2007).

d. Entitlement to allowance equal to fifty percent of the less than 3-year monthly 38 U.S.C. Chapter 30 rate for 36 months (fifty percent of $894.00 effective October 1, 2007).

4. The NCS participants are not entitled to additional assistance under ***10 U.S.C. Chapter 1606*** or 38 U.S.C. Chapter 30 benefits. However, if the NCS participant has eligibility under either of these chapters, he or she may be paid the amount of ***10 U.S.C. Chapter 1606*** or 38 U.S.C. Chapter 30 benefits minus any amounts paid under the NCS program. The education benefit options will be administered to the extent possible like ***10 U.S.C. Chapter 1606.***

* E. Chapter 30 Benefits Transferred to Dependents (***Chapter 30, Title 38 U.S.C., Section 3020***). Developed for the purpose of enhancing recruitment and retention of members of the Armed Forces, this program allows eligible Members to transfer basic educational assistance to one or more dependents.

1. Members who meet the following criteria are eligible:

a. Completed 6 years of service in the Armed Forces;

b. Has critical military skill designed by the Secretary; or

c. Is in a military specialty designated by the Secretary concerned as requiring critical military skills; and

d. Enters into an agreement to serve at least 4 more years as a member of the Armed Forces.

2. Individuals who are approved to transfer an entitlement to basic educational assistance follow:

a. The member's spouse.

b. To one or more of the member's children.

c. To a combination of "a" and "b" above.

3. The total number of months of entitlement transferred by a Member to a dependent may not exceed 18 months.

F. Maximum Combined Eligibility. Members eligible for multiple benefit programs, e.g., 38 U.S.C. Chapter 30 and 10 U.S.C. Chapter 1606; or ***10 U.S.C. Chapter 1606*** and ***10 U.S.C. Chapter 1607***., can use up to 36 months of a given program but can not exceed more than 48 months combined.

1503 TYPES OF PROGRAMS

150301. Categories of Education Benefits

Education benefits are comprised of two major categories -- Those with a pay reduction and those without a pay reduction.

*150302. Pay Reduction Programs

Enrollees in these programs, ***38 U.S.C. sections 3011 and 3012***, have their pay reduced by $100 each month for the first 12 months of active duty. All participating service members are required to have completed the requirements for a high school diploma or an equivalency certificate, or have successfully completed the equivalent of 12 credit hours in a program of education leading to a standard college degree before becoming eligible to use the benefit. Members who meet these requirements are entitled to a basic monthly benefit and can receive up to 36 months of benefit. Some exceptions exist for early discharge for service connected disability.

A. Educational Assistance Program for Service on Active Duty. Participation in this program is limited to persons who:

1. After June 30, 1985, first become a member of the Armed Forces or first enters on active duty as a member of the Armed Forces.

2. Serve at least 3 years of continuous active duty in the Armed Forces.

3. Serve at least 2 years of continuous active duty in the case of an individual whose initial period of active duty is less than 3 years, (see further stipulations in subparagraph 150302.B below).

4. After completion of the service described above:

a. Continue on active duty.

b. Are discharged from active duty with an honorable discharge.

c. Are placed on the retired list or temporary disability retired list, or is transferred to the Fleet Reserve or Fleet Marine Corps Reserve.

d. Are released from the Armed Services under honorable conditions by the Secretary of Defense for further service in a Reserve Component of the Armed Forces.

B. Educational Assistance Program for Less than 3 Years Service on Active Duty. Participation in this program is limited to persons who:

1. After June 30, 1985, first become a member of the Armed Forces or first enters on active duty as a member of the Armed Forces.

2. Serve at least 2 years of continuous active duty.

3. Beginning within 1 year after completion of the service on active duty, serve at least 4 years of continuous duty in the Selected Reserve during which the individual participates satisfactorily in the training as required by the Reserve Unit or the Department of Defense.

150303. No Pay Reduction Programs

A. Educational Assistance Program for Service in the Selected Reserve

1. The Montgomery GI Bill (MGIB) for the Selected Reserve (***Chapter 1606, Title 10, U.S.C.***) provides educational assistance to individuals who agree to serve in the Selected Reserve of the Ready Reserve for 6 years and meet the eligibility criteria specified in paragraphs 150203.B.1 through 3.

2. Additionally, the Secretary of the Military Department concerned may provide additional educational assistance to a member who has a skill or specialty designated by the Secretary concerned as a skill or specialty in which there is a critical shortage of personnel or for which it is difficult to recruit or, in the case of critical units, retain personnel. This benefit is often referred to as the "kicker" and is in addition to the assistance provided under the basic benefit. To be eligible for kicker payments, the member must qualify for and be assigned to a Service-designated critical specialty, skill, or unit in the Selected Reserve designated by the Secretary concerned, be in receipt of basic MGIB Selected Reserve benefits or benefit under ***38 U.S.C. Chapter 30*** (other than section 3012), and enter into a period of obligated service, as described in subparagraph 150203.B.1. The period of obligated service for kicker payments is separate from the period of obligated service for the basic MGIB Selected Reserve benefit, but runs concurrently with that period of obligated service. Kicker payments may not exceed $350 per month.

3. Individuals may not receive credit for service in both this program and the programs under paragraph 150302.

4. Members who have met the eligibility criteria will be given a statement in writing summarizing the provisions of sections ***16134 and 16135, Chapter 1606, Title 10 U.S.C.***

5. A member is prohibited from receiving educational assistance under this program and financial assistance as a member of the Senior Reserve Officers' Training Corps Program.

* 6. Eligibility for educational assistance under ***10 U.S.C. Chapter 1606*** terminates when a member fails to participate satisfactorily in the required training as a member of the Selected Reserve or 14 years after becoming eligible for MGIB Selected Reserve benefits, whichever occurs first. However, the expiration of a Service member's entitlement who is ordered to active duty under an order issued under sections ***12301(a), 12301(d), 12301(g), or 12304 of 10 U.S.C.*** shall be extended beyond the 14-year period or the date the Service member separated from the Selected Reserve by the length of the period of active duty plus 4 months.

* B. Reserve Educational Assistance Program for Reserve Component Members Supporting Contingency Operations and Other Specified Missions. Enrollees in this program, as provided in ***section 16163(a), Chapter 1607 of Title 10, U.S.C.***, are required to have been ordered to active duty in support of a contingency operation or in the case of National Guard members order to duty under ***section 502(f), Title 32, U.S.C.***, at the request of the President or Secretary of Defense for the purpose of responding to a national emergency declared by the President or the Congress.

1. Participation in this program is limited to persons who:

a. On or after September 11, 2001, have been ordered to active duty in support of a contingency operation or ordered to full-time National Guard duty to respond to national emergency declared by the President or the Congress and have served for 90 consecutive days or more.

b. The educational assistance entitlement increases based on the length of continuous service.

(1) A member who completes 90 consecutive days of qualifying service is entitled to assistance at a rate equal to 40 percent of the rate provided to an individual eligible for assistance under ***38 U.S.C. 3011***.

(2) A member who completes 1 continuous year of qualifying service is entitled to assistance at a rate equal to 60 percent of the rate provided to an individual eligible for assistance under ***38 U.S.C. 3011***.

(3) A member who completes 2 continuous years of qualifying service is entitled to assistance at a rate equal to 80 percent of the rate provided to an individual eligible for assistance under ***38 U.S.C. 3011***.

c. A member who was ordered to active service as described in subparagraph 150303.B.1. but was released from duty before completing 90 consecutive days because of an injury, illness or disease incurred or aggravated in the line of duty in entitled to educational assistance at the rate prescribed for a member who has completed 90 consecutive days of duty.

* 2. To retain eligibility for educational assistance under ***Chapter 1607, Title 10, U.S.C.***:

a. A member who was serving in the Selected Reserve at the time the member was ordered to active duty or full-time National Guard duty must continue to serve in the Selected Reserve, except, under regulations prescribed by the Secretary of Defense, educational assistance may be provided to a member of the Selected Reserve who incurs a break in service in the Selected Reserve of not more than 90 days if the member continues to serve in the Ready Reserve during and after such break in service;

b. A member who was serving in the Individual Ready Reserve at the time the member was ordered to active duty must continue to serve in the Ready Reserve (either the Selected Reserve or the Individual Ready Reserve).

* 3. A member who has met the eligibility requirements of subparagraph 150303.B.1. will be given a statement in writing notifying the member of such eligibility and summarizing the provisions of ***section 16163(a), Chapter 1607 of Title 10, U.S.C.***.

* 4. A member who has a service connected injury, illness or disease is not required to meet the requirement in subparagraph 150303.B.2. regarding continued membership in the Selected Reserve or Ready Reserve.

* 5. Individuals may not receive credit for service in both this program and the programs under paragraph 150302.

C. Vietnam Era GI Bill Service. This program required service during the period February 1, 1955 through December 31, 1976.

D. Inservice Enrollment in a Program of Education. Participation in this program is limited to individuals who are a member of the Armed Forces who did not elect to participate in the contributory programs in paragraph 150302 above, and:

1. After June 30, 1985, have completed at least 2 years of service on active duty.

2. Continue on active duty or in the Selected Reserve without a break in service. Some exceptions apply for not being able to find a vacancy in, or locate a unit of the Selected Reserve within stipulated timeframes.

E. Supplemental Educational Assistance for Additional Service. Benefits payable under this program are prescribed by the Secretary of Defense, and may provide for the payment of supplemental educational assistance to individuals eligible for educational assistance under paragraph 150302 above. Eligible persons for this program:

1. Must have served 5 or more consecutive years of active duty in the Armed Forces beyond the years of active duty counted under paragraph 150302 without a break in service.

2. Must have been discharged from service with an honorable discharge, or is placed on the retired list, or is transferred to the Fleet Reserve or Fleet Marine is Corps Reserve, or is placed on the temporary disability retire list without a break in service after completion of 5 or more consecutive years of active duty beyond the years of active duty as specified in the above.

3. Must have completed 2 or more consecutive years of active duty in the Armed Forces beyond the years of active duty counted under paragraph 150302 without a break in service, and 4 or more consecutive years of duty in the Selected Reserve.

F. Educational Program for Tutorial Assistance. Benefits for participation in this program are in addition to other educational benefits received, but are limited in benefit amount and number of months.

G. Additional Educational Assistance for Qualified Individuals with Critical Skills or Specialties. The Secretary of Defense, without regard to application, may authorize educational assistance to individuals in specialized categories such as physicians and registered nurses in critical specialties, students in the nursing program, and other health professions.

1504 BENEFITS UNDER PAY REDUCTION PROGRAMS

* Rates for budgeting purposes are updated annually and issued in the Office of the Under Secretary of Defense (Comptroller) Program and Budget Submission Guidance.

150401. Monthly Benefits

Veterans entitled to basic educational assistance with regard to subparagraph 150302.A who are pursuing an approved program of education are entitled to receive monthly benefits up to $1,101, beginning October 1, 2007, for an approved program of education pursued on a full-time basis. Veterans will receive an appropriately reduced rate, as determined under prescribed regulations, for an approved program of education pursued on less than a full-time basis.

150402. Eligibility Criteria

With regard to subparagraph 150302.B, veterans entitled to basic educational assistance who are pursuing an approved program of education are entitled to receive benefits at the monthly rate of $894 beginning October 1, 2007, for an approved program of education pursued on a full-time basis. Veterans in this category also will receive an appropriately reduced rate, as determined under prescribed regulations, for an approved program of education pursued on less than a full-time basis.

*150403. Monthly Benefit Increases

With respect to the fiscal year beginning on October 1, 1993, and each fiscal year thereafter, the monthly basic benefits for each fiscal year will increase by the percentage which the Consumer Price Index (all items, United States city average) for the 12-month period ending on the June 30 preceding the beginning of the fiscal year for which the increase is made exceeds the Consumer Price Index for the previous 12 months. Any increase in a benefit rate with respect to a fiscal year after fiscal year 2004 and before fiscal year 2014 shall be rounded down to the next lower whole dollar amount. Any such increase with respect to a fiscal year after fiscal year 2013 shall be rounded to the nearest whole dollar amount.

150404. Skill or Specialty Designators

With regard to subparagraph 150302.A, individuals who have a skill or specialty designated by the Secretary of Defense as a skill or specialty in which there is a critical shortage of personnel or for which it is difficult to recruit, may be entitled to receive an additional benefit known as the "kicker" benefit at a monthly rate of up to $950.

1505 BENEFITS FOR THE NON PAY REDUCTION PROGRAMS IN THE SELECTED RESERVE

150501. Benefit Payments

Individuals entitled to basic educational assistance with regard to subparagraph 150303.A who are pursuing an approved program of education are entitled to receive monthly payments, effective October 1, 2007, at the monthly rate of $317 for a full-time pursuit of a program of education; $237 per month for three-quarter-time; and $157 per month for half-time. Individuals will receive an appropriately reduced rate, as determined under prescribed regulations, for an approved program of education pursued on less than a full-time basis if tuition assistance is not available to the person from the respective Military Department.

A. Effective February 10, 1996, a member who meets the eligibility criteria for 10 U.S.C. Chapter 1606 "kicker payments" (subparagraph 150303.A.2) is entitled to an additional $100, $200 or $350 per month, as determined by the Secretary of the Military Department concerned, in addition to the basic benefit monthly payment.

* B. Rates for budgeting purposes are updated annually and issued in the Office of the Under Secretary of Defense (Comptroller) Program and Budget Submission Guidance.

150502. Educational Programs Eligible for Assistance Payments

Educational assistance provided under subparagraph 150303.A. is available to individuals pursuing a program of education consisting of a program of apprenticeship, other on-the-job training, a cooperative program, a correspondence program of education, flight training program, or a program of approved individualized tutorial assistance. The amount of monthly educational assistance allowance for each program varies and is a predetermined percentage of the monthly allowance otherwise payable to a veteran entitled to receipt of assistance, or a percentage of the cost of the program.

*150503. Eligibility Requirements

Members entitled to basic educational assistance with regard to subparagraph 150303.B who are pursuing an approved program of education are entitled to receive benefits at the monthly rate, effective October 1, 2007, according to the period of continuous service.

A. Completed 90 continuous days of duty or performed fewer than 90 days of duty but have a service-connected injury, illness or disease:

1. $440.40 per month for a full-time pursuit of a program of education.

2. $330.30 per month for three-quarter-time.

3. $220.20 per month for half-time.

4. $220.20 for less than half-time but greater than one-quarter time.

5. $110.10 for one-quarter time or less.

6. Reduced rates will be paid to apprenticeship and on-the-job training, flight training, correspondence training and cooperative training. Individuals will receive an appropriately reduced rate, as determined under prescribed regulations, for an approved program of education pursued on less than a full-time basis if tuition assistance is not available to the person from the respective Military Department.

B. Completed 1 continuous year of duty:

1. $660.60 per month for a full-time pursuit of a program of education.

2. $495.45 per month for three-quarter-time.

3. $330.30 per month for half-time.

4. $330.30 for less than half-time but greater than one-quarter time (tuition and fees only).

5. $165.15 for one-quarter time or less.

6. Reduced rates will be paid to apprenticeship and on-the-job training, flight training, correspondence training and cooperative training.

C. Completed 2 continuous years of duty:

1. $880.80 per month for a full-time pursuit of a program of education.

2. $660.60 per month for three-quarter-time.

3. $440.40 per month for half-time.

4. $440.40 for less than half-time but greater than one-quarter time (tuition and fees only).

5. $220.20 for one-quarter time or less.

6. Reduced rates will be paid to apprenticeship and on-the-job training, flight training, correspondence training and cooperative training.

*150504. Basic Monthly Benefit

The basic monthly benefit for each fiscal year will increase by the percentage by which the Consumer Price Index (all items, United States city average) for the 12-month period ending on the June 30 preceding the beginning of the fiscal year for which the increase is made exceeds the Consumer Price Index for the previous 12 months. Any resulting increase in a benefit rate shall be rounded to the nearest whole dollar amount.

Rates for budgeting purposes are updated annually and issued in the Office of the Under Secretary of Defense (Comptroller) Program and Budget Submission Guidance.

1506 FUNDING FOR EDUCATIONAL ASSISTANCE PROGRAMS

150601. DoD Education Benefits Fund

The Veteran's Educational Assistance Act of 1984 established a trust fund to finance DoD education liabilities on an actuarially sound basis. The DoD Education Benefits Fund is a trust fund used to accumulate funds for transfer to the Department of Veterans Affairs (DVA) to

cover the DoD share of benefits. The Fund, 97X8098 - Department of Defense Education Benefits Fund (Education Fund), contains the following assets:

A. Amounts paid into the Education Fund from the active duty and reserve personnel appropriations.

B. Any amount that may be appropriated by the Congress to the Education Fund.

C. Interest earned as a result of the investment of available Education Fund cash balance in U.S. Government securities. This method of funding the educational assistance program became effective July 1, 1985.

150602. Education Fund Payments

Amounts payable to the Education Fund shall be determined using methods and assumptions approved by the DoD Education Benefits Board of Actuaries. The accounting principles contained in Chapter 16 also apply to the education benefits programs.

150603. Education Fund Transfers

Amounts to be transferred to the Education Fund shall be obligated by Components at the same time military pay is obligated as required in Volume 3, Chapter 8, and further explained in Chapter 16.

150604. Educational Fund Deposits

The Act provides for withholding a total of $1,200 (in 12 equal monthly installments) from the basic pay of active duty military members who elect to participate in the new educational program. The Military Departments shall deposit the withheld funds to the general fund of the Treasury as miscellaneous receipts. The miscellaneous receipts subaccounts are identified in subparagraph 150606.B, below.

150605. “Kicker” Educational Benefit

The DVA pays all claims for benefits under the educational program. The DVA also funds most of the basic educational benefits for active duty military members from a general fund appropriation. An additional benefit (i.e., the “kicker”) may be paid at the discretion of the Secretary of Defense. However, this is funded in the military personnel appropriations by the Department of Defense as are all supplemental benefits. These funds shall be paid into the Education Fund for subsequent transfer to the DVA.

150606. Education Fund Transfer to Department of Veterans Administration

The Education Fund is used to accumulate funds for transfer to the DVA to cover the DoD share of benefits. The Director, DFAS, shall account and report for the DoD Education

Benefits Fund since it is an Office of the Secretary of Defense account. In addition, the Director, DFAS, shall invest the cash balances of the Education Fund not actually needed to cover transfers to the DVA for payment of benefits.

A. For amounts withheld from active duty members, a general fund proprietary receipt account has been established to which collections of military personnel contributions are deposited. However, the funds collected are treated as proprietary receipts of the DVA, rather than of the Department of Defense, with the appropriate offset against budget subfunction 702 (Veterans' Education, Training, and Rehabilitation).

B. Even though the Department of Defense does not receive credit for the offsetting receipts, it is responsible for collecting the contributions from individuals participating in the program. To ensure proper crediting of the collected funds, all contributions shall be deposited into Miscellaneous Receipt Account 36R2473 - Contributions from Military Personnel, Veteran's Educational Assistance Act of 1984 (per capita amounts defined in 150702). It is essential that the funds be deposited to Treasury index number "36" (DVA) rather than the index numbers for each Military Department.

150607. Monthly Report for Miscellaneous Receipt

Each Military Department shall provide the DVA a monthly letter report of funds deposited to Miscellaneous Receipt Account 362473. The report shall show only the net amount deposited with no detail.

A. Submit the report in time to reach the DVA no later than the close of business on the seventh workday after the close of the reported month. The following address shall be used for sending the reports:

Department of Veterans Affairs (047H1)
810 Vermont Avenue, NW
Washington, DC 20420
ATTN: C.O. Finance (047H1)

B. If the report cannot be submitted in time to reach the DVA by the seventh workday after the reported month, the Military Department shall report by facsimile machine the amount deposited. The report should be "faxed" to the DVA Central Office, Field Finance Division.

1507 FUND TRANSFERS OF MILITARY PERSONNEL APPROPRIATIONS

Transfers from the military personnel appropriations to the DoD Education Benefits Fund shall be processed as indicated below. (The accounting for these amounts shall follow the accounting requirements contained in Chapter 10, Volume 4.)

150701. Receipt and Expenditure Accounts.

The DoD Education Benefits Fund is classified as a trust fund and uses both receipt and expenditure accounts since it is not designated a trust revolving fund. Receipts are available immediately for expenditure; therefore, the Treasury Department requires deposits to be made using "X" symbolization for the receipt account. Deposits are made to the following trust fund receipt accounts as applicable.

A. 97X8098.1 - Employing Agency Contribution, Department of Defense, Education Benefits Fund. Payments from DoD military personnel appropriations.

B. 97X8098.2 - Earnings on Investments, Department of Defense, Education Benefits Fund. Payments of interest by Treasury on Education Fund investments in U.S. securities.

C. (62) 97X8098 - Disbursements-Unamortized Premium and Discount, Department of Defense Military Retirement and Education Benefits Funds. Purchase of premium, interest, and discount.

D. (72) 97X8098 - Receipts-Unamortized Premium and Discount, Department of Defense Military Retirement and Education Benefits Fund. Write-off and amortization of premium and discount and collection of interest purchased.

E. 20X6825.01 - Unamortized Discount, Department of Defense Military Retirement and Education Benefits Funds. Purchase of discount, write-off, and amortization of discount.

F. 20X6825.02 - Unamortized Premium, Department of Defense Military Retirement and Education Benefits Funds. Purchase of premium, write-off, and amortization of premium.

G. 20X6825.03 - Accrued Interest Purchased, Department of Defense Military Retirement and Education Benefits Funds. Purchase of interest and collection of interest purchased.

150702. Timing

Transfers of funds for a given month shall be accomplished on or before the last business day of that month. If the transfers are accomplished on an estimated basis, they shall be adjusted in the subsequent month when actual figures become available.

150703. Method for Transfer of Funds

A. Transfers are made on an expenditure basis. Funds shall be disbursed from the military personnel appropriations and collected into the Education Fund. The disbursement and collection transactions are accomplished using the Intragovernmental Payment

and Collection System (IPAC). The disbursement and collection transactions also can be made on an SF 1081, Voucher and Schedule of Withdrawals and Credits. The disbursing officer making the payment shall forward a copy of the completed SF 1081 to the DFAS, and also report both the disbursement and collection transactions on the monthly DD Form 1329, Statement of Transactions. Completed forms shall be forwarded to the following address:

Director
Defense Finance and Accounting Service
Trust Fund Investment Office
ATTN: DFAS-JJRA, COLUMN 203L
8899 e. 56TH Street
Indianapolis, IN 46249
Fax Number: (317)275-0247
E-mail Address: CIN-JJRA@dfas.mil

B. The total amount transferred from the military personnel appropriation to the Education Fund shall be detailed by the Military Service obligation program and reported on the face of the SF 1081 or on a separate attachment.

*150704. Calculation of Transfers

Transfers to the Education Fund from the active duty and reserve component personnel appropriations shall be accomplished monthly. The amounts to be transferred shall be calculated using the formulas provided in subparagraphs 150702.A and 150702.B, below, which are based on existing legislation and, therefore, subject to change upon any enacted amendments. The per capita amounts to be used in the calculations shall be determined by the DoD Office of the Actuary using methods and assumptions approved by the DoD Education Benefits Board of Actuaries. The per capita amount is the per-person normal cost potentially offset by an amount related to amortizing a surplus (if this particular service or Reserve Component's portion of the Fund as determined by the Office of the Actuary for a particular program has a surplus). This information shall be provided to the Military Departments when it becomes available.

* A. Active Duty Appropriations. The per capita normal cost multiplied by the number of new entrants who become eligible during the month. Eligibility is defined in subparagraph 150203.A, above.

1. The Services shall report monthly to DFAS, and DFAS shall report monthly in their trial balance, the total amount of per capita contributions for each combination of benefit level and years of obligated service. The report shall specify how such amounts are derived in terms of the number of members for the current month, reconciling corrections from the prior month (if any), and the per capita amounts used in such calculations. These amounts should be reported separately from contributions that fund other programs.

2. The Services shall pay an amortization payment into the Department of Defense Education Benefits Fund on October 1st of each year to reduce the fund's liability. The amount of the contribution, if any, for each Component shall equal the amount specified in the letter for the current fiscal year issued by the Department of Defense Education Benefits Board of Actuaries to the Secretary of Defense.

3. To ensure proper crediting of contributions made to DFAS, the Services shall reference the following account titles:

Active Army
Basic Selected Skill Benefit
2 Year Obligation $150 per month "kicker"
2 Year Obligation $250 per month "kicker"
2 Year Obligation $350 per month "kicker"
2 Year Obligation $450 per month "kicker"
2 Year Obligation $550 per month "kicker"
2 Year Obligation $650 per month "kicker"
2 Year Obligation $750 per month "kicker"
2 Year Obligation $850 per month "kicker"
2 Year Obligation $950 per month "kicker"
3 Year Obligation $150 per month "kicker"
3 Year Obligation $250 per month "kicker"
3 Year Obligation $350 per month "kicker"
3 Year Obligation $450 per month "kicker"
3 Year Obligation $550 per month "kicker"
3 Year Obligation $650 per month "kicker"
3 Year Obligation $750 per month "kicker"
3 Year Obligation $850 per month "kicker"
3 Year Obligation $950 per month "kicker"
4 Year Obligation $150 per month "kicker"
4 Year Obligation $250 per month "kicker"
4 Year Obligation $350 per month "kicker"
4 Year Obligation $450 per month "kicker"
4 Year Obligation $550 per month "kicker"
4 Year Obligation $650 per month "kicker"
4 Year Obligation $750 per month "kicker"
4 Year Obligation $850 per month "kicker"
4 Year Obligation $950 per month "kicker"
5 Year Obligation $150 per month "kicker"
5 Year Obligation $250 per month "kicker"
5 Year Obligation $350 per month "kicker"
5 Year Obligation $450 per month "kicker"
5 Year Obligation $550 per month "kicker"
5 Year Obligation $650 per month "kicker"
5 Year Obligation $750 per month "kicker"
5 Year Obligation $850 per month "kicker"

5 Year Obligation $950 per month "kicker"
6 Year Obligation $150 per month "kicker"
6 Year Obligation $250 per month "kicker"
6 Year Obligation $350 per month "kicker"
6 Year Obligation $450 per month "kicker"
6 Year Obligation $550 per month "kicker"
6 Year Obligation $650 per month "kicker"
6 Year Obligation $750 per month "kicker"
6 Year Obligation $850 per month "kicker"
6 Year Obligation $950 per month "kicker"

Amortization Payment – Active Army

Post-Vietnam Era Voluntary and Involuntary Separatees (Category 3)

National Call to Service – 12 months
National Call to Service – 36 months

Active Army – Benefits Transferred to Dependents

Active Navy
Basic Selected Skill Benefit
4 Year Obligation $150 per month "kicker"
4 Year Obligation $250 per month "kicker"
4 Year Obligation $350 per month "kicker"
4 Year Obligation $450 per month "kicker"
4 Year Obligation $550 per month "kicker"
4 Year Obligation $650 per month "kicker"
4 Year Obligation $750 per month "kicker"
4 Year Obligation $850 per month "kicker"
4 Year Obligation $950 per month "kicker"

Amortization Payment – Active Navy

Post Vietnam Era Voluntary and Involuntary Separatees (Category 3)

National Call to Service – 12 months
National Call to Service – 36 months

Active Navy – Benefits Transferred to Dependents

Active Marine Corps
Basic Selected Skill Benefit
4 Year Obligation $150 per month "kicker"

4 Year Obligation $250 per month "kicker"
4 Year Obligation $350 per month "kicker"
4 Year Obligation $450 per month "kicker"
4 Year Obligation $550 per month "kicker"
4 Year Obligation $650 per month "kicker"
4 Year Obligation $750 per month "kicker"
4 Year Obligation $850 per month "kicker"
4 Year Obligation $950 per month "kicker"
5 Year Obligation $150 per month "kicker"
5 Year Obligation $250 per month "kicker"
5 Year Obligation $350 per month "kicker"
5 Year Obligation $450 per month "kicker"
5 Year Obligation $550 per month "kicker"
5 Year Obligation $650 per month "kicker"
5 Year Obligation $750 per month "kicker"
5 Year Obligation $850 per month "kicker"
5 Year Obligation $950 per month "kicker"

Amortization Payment – Active Marine Corps

Post Vietnam Era Voluntary and Involuntary Separatees (Category 3)

National Call to Service – 12 months
National Call to Service – 36 months

Active Marine Corps – Benefits Transferred to Dependents

Active Air Force
Basic Selected Skill Benefit
4 Year Obligation $150 per month "kicker"
4 Year Obligation $250 per month "kicker"
4 Year Obligation $350 per month "kicker"
4 Year Obligation $450 per month "kicker"
4 Year Obligation $550 per month "kicker"
4 Year Obligation $650 per month "kicker"
4 Year Obligation $750 per month "kicker"
4 Year Obligation $850 per month "kicker"
4 Year Obligation $950 per month "kicker"

Amortization Payment – Active Air Force

Post Vietnam Era Voluntary and Involuntary Separatees (Category 3)

National Call to Service – 12 months

National Call to Service – 36 months

Active Air Force – Benefits Transferred to Dependents

NOTE: In the future, account numbers will be assigned to each account title by DFAS. When new benefit programs are added, the Services and DFAS shall create and use new account numbers and titles as needed to ensure proper crediting of contributions.

* B. Reserve and National Guard Appropriations. Per capita amounts and amortization payments required.

1. The per capita amount cost is multiplied by the number of Reserve Component members who become eligible during the preceding month. Eligibility is defined in subparagraph 150203.B, above. A contribution is made for an eligible member only one time. Eligibility date is established in the Notice of Basic Eligibility also described in subparagraphs 150303.B and 150303.C. This eligibility date never changes.

2. The per capita amount is multiplied by the number of Reserve Component members who become eligible during the preceding month. Eligibility is defined in subparagraph 150203C., above (REAP). A contribution is made for an eligible member only one time. Eligibility date is established when the member has completed the minimum service requirement as specified in subparagraphs150203C.1 through 150203C.3, above.

* a. The amount of the contribution for each member (i.e., the per capita amount) shall equal the amount specified in the letter for the current fiscal year issued by the Department of Defense Education Benefits Board of Actuaries, corresponding to one of the three benefit levels - 90 days, 1 year, or 2 years (***(10 U.S.C. 16162(c)(4)***) - based on the length of the member's activation orders or based on the members who actually served 90 days or more if the activation orders are for less than 90 days. In this context, "activation orders" refers to the maximum level of consecutive qualifying service the member is anticipated to obtain for the current mobilization event. For example, if a member is called up for 120 days to complete required training in preparation for activation or deployment, and the member is scheduled to be activated for 15 months following the training (with a short break in between the two), the component shall contribute based on the 1-year benefit level when the member reaches the 90-day point during the training.

(1) The Components shall track whether members have previously reached the qualifying 90-day threshold.

(2) No contribution shall be made for a member who subsequently reaches the initial 90-day threshold, if a contribution has already been made.

3. The Reserve Components shall report monthly to DFAS, and DFAS shall report monthly in their trial balance, the total amount of per capita contributions for 10 U.S.C. Chapter 1606; to include the breakout by basic and kicker, and within kicker, by kicker benefit level. The report shall specify how such amounts are derived in terms of the

number of members for the appropriate month, reconciling corrections from the prior month(s) (if any), and the per capita amounts used in such calculations. These amounts should be reported separately from contributions that fund other programs.

4. The Reserve Components shall report monthly to DFAS the total amount of per capita contribution for each of the three benefit levels (90 days, 1 year, or 2 years) for 10 U.S.C. Chapter 1607. The report shall specify how such amounts are derived in terms of the number of members for the appropriate month, reconciling corrections from the prior month(s) (if any), and the per capita amounts used in such calculations. These amounts should be reported separately from contributions that fund other programs.

5. If required due to a program's unfunded liability, the Reserve Components shall pay an amortization payment into the Department of Defense Education Benefits Fund on October 1st of each year to reduce the funds liability. One payment shall be made for 10 U.S.C. Chapter 1606 and a separate payment shall be made for 10 U.S.C. Chapter 1607. The amount of the contribution, if any, for each component shall equal the amount specified in the letter for the current fiscal year issued by the Department of Defense Education Benefits Board of Actuaries to the Secretary of Defense.

6. To ensure proper crediting of contributions made to DFAS, the Reserve Components shall reference the following account titles:

Army Reserve
Selected Reserve Benefit (10 U.S.C. Chapter 1606)
Army Reserve

Critical Skill or Critical Unit Benefit (10 U.S.C. Chapter 1606)
$100 monthly "kicker" benefit
$200 monthly "kicker" benefit
$350 monthly "kicker" benefit

Amortization (10 U.S.C. Chapter 1606) – Army Reserve

Educational Benefits for Reservists in Support of Contingency Operations (10 U.S.C. Chapter 1607)
Mobilized 90 Days
Mobilized 1 year but not 2
Mobilized 2 years or more

Amortization (10 U.S.C. Chapter 1607) Army Reserve

Army National Guard
Selected Reserve Benefit (10 U.S.C. Chapter 1606)
Army National Guard

Critical Skill or Critical Unit Benefit (10 U.S.C. Chapter 1606)

$100 monthly "kicker" benefit
$200 monthly "kicker" benefit
$350 monthly "kicker" benefit

Amortization (10 U.S.C. Chapter 1606) – Army National Guard

Educational Benefits for Reservists in Support of Contingency Operations (10 U.S.C. Chapter 1607)
Mobilized 90 Days
Mobilized 1 year but not 2
Mobilized 2 years or more

Amortization (10 U.S.C. Chapter 1607) Army National Guard

Navy Reserve
Selected Reserve Benefit (10 U.S.C. Chapter 1606)
Navy Reserve

Critical Skill or Critical Unit Benefit (10 U.S.C. Chapter 1606)
$100 monthly "kicker" benefit
$200 monthly "kicker" benefit
$350 monthly "kicker" benefit

Amortization (10 U.S.C. Chapter 1606) – Navy Reserve

Educational Benefits for Reservists in Support of Contingency Operations (10 U.S.C. Chapter 1607)
Mobilized 90 Days
Mobilized 1 year but not 2
Mobilized 2 years or more

Amortization (10 U.S.C. Chapter 1607) Navy Reserve
Marine Corps Reserve
Selected Reserve Benefit (10 U.S.C. Chapter 1606)
Marine Corps Reserve

Critical Skill or Critical Unit Benefit (10 U.S.C. Chapter 1606)
$100 monthly "kicker" benefit
$200 monthly "kicker" benefit
$350 monthly "kicker" benefit

Amortization (10 U.S.C. Chapter 1606) – Marine Corps Reserve

Educational Benefits for Reservists in Support of Contingency Operations (10 U.S.C. Chapter 1607)
Mobilized 90 Days

Mobilized 1 year but not 2
Mobilized 2 years or more

Amortization (10 U.S.C. Chapter 1607) Marine Corps Reserve

Air Force Reserve
Selected Reserve Benefit (10 U.S.C. Chapter 1606)
Air Force Reserve
Critical Skill or Critical Unit Benefit (10 U.S.C. Chapter 1606)
$100 monthly "kicker" benefit
$200 monthly "kicker" benefit
$350 monthly "kicker" benefit

Amortization (10 U.S.C. Chapter 1606) – Air Force Reserve

Educational Benefits for Reservists in Support of Contingency Operations (10 U.S.C. Chapter 1607)
Mobilized 90 Days
Mobilized 1 year but not 2
Mobilized 2 years or more

Amortization (10 U.S.C. Chapter 1607) Air Force Reserve

Air National Guard
Selected Reserve Benefit (10 U.S.C. Chapter 1606)
Air National Guard

Critical Skill or Critical Unit Benefit (10 U.S.C. Chapter 1606)
$100 monthly "kicker" benefit
$200 monthly "kicker" benefit
$350 monthly "kicker" benefit

Amortization (10 U.S.C. Chapter 1606) – Air National Guard

Educational Benefits for Reservists in Support of Contingency Operations (10 U.S.C. Chapter 1607)
Mobilized 90 Days
Mobilized 1 year but not 2
Mobilized 2 years or more

Amortization (10 U.S.C. Chapter 1607) Air National Guard

NOTE: In the future, account numbers will be assigned to each account title by DFAS. When new benefit programs are added, the Services and DFAS shall create and use new account numbers and titles as needed to ensure proper crediting of contributions.

1508 FUND TRANSFERS TO DVA

Transfers from the DoD Education Benefits Fund to the DVA shall be processed as follows:

150801. General Fund Appropriation Transfer Account

The DFAS shall transfer funds to the DVA on an expenditure basis. This is required because VA pays the benefits from general fund appropriation account 36X0137 - Readjustment Benefits, Veterans Administration.

150802. IPAC Transactions

The actual transaction is accomplished by using IPAC. The DVA will provide DFAS a letter of intent to disburse prior to making any IPAC transactions. This request will be sent CIN-JJRA@dfas.mil. The DVA will report the collection into 36X0137 on its DD Form 1329.

1509 PAYROLL DEDUCTIONS

150901. Order of Precedence for Deductions

Deductions from pay for the education benefits program are governed by the order of precedence for deductions from gross pay established by the Treasury Financial Manual, Volume 1, Part 3, Chapter 7000, "Allotments and Assignment of Pay." The order of precedence shall be used when the gross entitlement payment is not sufficient to permit all deductions to be made. The order of precedence is in Volume 7.

150902. Participation Election Criteria

When an individual enters on active duty as a member of the Armed Forces, participation in the education benefits program is automatic, unless the service member makes an election not to enroll for education benefits using ***DD Form 2366***, Montgomery GI Bill Act of 1984 Basic Enrollement. Once enrolled in the program, a reduction of the service member's pay becomes mandatory. The deduction is considered an "Indebtedness Due the United States." Therefore, it ranks ahead of state income taxes and all other deductions of lower precedence. Within the "Indebtedness" category, it takes precedence below any debts due to the Department of Defense since the reduction is deposited to a civil agency account.

150903. Selected Reserve Participation

In the case of a member of the Selected Reserve, the Secretary of Defense shall collect from the individual an amount equal to $1,200 not later than 1 year after completion by the individual of the 2 years of service on active duty providing the basis for such entitlement. Collection may be made through a reduction in basic pay or through such other method as the Secretary of Defense considers appropriate.

1510 REFUNDS OR ERRONEOUS DEDUCTIONS

Refunds or erroneous deductions from active duty members shall be processed as follows:

151001. Current Year Deductions

If the refund takes place within the same fiscal year as the erroneous deduction was made, the payment to an active duty member shall be charged to miscellaneous receipt account 362473. Such transactions will reduce the monthly deduction deposited to miscellaneous receipt account 362473 and reported to the DVA.

151002. Prior Year Deductions

If the refund takes place after the close of the fiscal year in which the erroneous deduction was made, the payment to an active duty member shall be made from Treasury appropriation 20X1807 - Refund of Monies Erroneously Received and Covered. Such payments shall be reported routinely on the Military Department's monthly Statement of Transactions. The Treasury Department shall be contacted by telephone if payments from 20X1807 in excess of $100,000 are to be made in a given month. The report shall be provided to the Credit and Debt Management Branch, Financial Management Service.

1511 COLLECTION OF EDUCATIONAL DEBTS OWED TO THE GOVERNMENT

Collection of educational debts owed to the government by members of the Selected Reserve shall be processed as follows.

151101. Selective Reserve Participation Refunds

Members of the Selected Reserve receiving educational assistance benefits under Title 10 U.S.C. Chapter 1606, and who fail to participate satisfactorily in required reserve training, may be required to refund an amount to the United States. This amount is calculated in accordance with the formula established in Title ***10 U.S.C. 16135(b)(1)***.

151102. Selective Reserve Participation Refund Calculation

The refund shall equal the product of the following:

A. The number of months of obligated service remaining under the agreement entered into by the reservist divided by the original number of months of the original obligation.

B. The total amount of educational assistance provided to the reservist increased by interest equal to the highest rate being paid by the Treasury on securities having maturity of 90 days or less on the day on which the refund is determined to be due. The interest shall accrue from the day on which the reservist first is notified of the amount due to the U.S. Government as a refund.

151103. Selective Reserve Data Collection Requirements

Each Military Department shall maintain data on Selected Reserve members who are:

A. Eligible for educational assistance.

B. Fail to participate satisfactorily.

C. Not excused from the responsibility to refund overpayments received under the Selected Reserve educational assistance program.

151104. Collection of Debts Owed

Responsibility for administering the collection of debts owed to the program has not been established. This matter will be addressed in the memorandum of understanding with the DVA covering financial matters. The Military Departments shall be advised of the determination when the memorandum of understanding is ratified.

151105. Reporting Requirements for Education Benefits Programs

The reporting requirements and related standards contained in Chapter 13, Volume 4, also apply to the education benefits programs.

VOLUME 12, CHAPTER 16: "MILITARY PERSONNEL ENTITLEMENT PROGRAMS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated January 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and format.	Revision
All	Renumbered paragraphs.	Revision
All	Revised for clarity of Medicare-Eligible Retiree Health Care Fund (MERHCF) processes and expanded their details.	Revision
160403.A.1., a., b., c., 2., & 3.	Accrued Benefits pertaining to unfunded FRF Funds.	Deletion
160408	Incorporated changes for accounting of MERHCF outlays.	Revision
1605	Added a Definitions section for clarification of specific terms used in this chapter.	Addition
1606	Added a References section to identify authoritative sources used in this chapter.	Addition

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CHAPTER 16

MILITARY PERSONNEL ENTITLEMENT PROGRAMS

1601 GENERAL

160101. Overview

Entitlements Programs are legally established benefits available to any person or unit of government meeting eligibility requirements established by law. Authorizations for entitlements constitute a binding obligation on the part of the Federal Government, and eligible recipients may have legal recourse if the obligation is not fulfilled. Legislation authorizing entitlements does not necessarily include a corresponding appropriation of funds, thus subsequent enactment of appropriations may necessary.

160102. Purpose

This chapter is the policy for the accounting and related transactions for two entitlement programs established for Department of Defense (DoD) military personnel:

A. Military Retirement Fund (MRF) and

B. Medicare-Eligible Retiree Health Care Fund (MERHCF)

1602 GENERAL ACCOUNTING POLICY FOR ENTITLEMENT PROGRAMS

160201. Payment of Benefits

Entitlement programs are divided into three categories according to the events that give rise to benefit payments: payments based on individual eligibility, payments required by law, and reimbursable events. These categories are accounted for as follows:

A. Individual Eligibility. When the program is administered by a federal agency, entitlement benefits based on individuals meeting eligibility requirements of a program must be recorded as a liability and an expense when the eligibility requirements are met (as determined by program officials). The recorded liability and expense must cover all expected payments for the current period of eligibility. Payments to recipients reduce the recorded liability.

B. Compliance With Statutory Laws. When payments are authorized (through appropriation and allotment of funds) for disbursement pursuant to legal requirements with no specific action required of the recipients, a liability and expense must be recorded when the appropriated funds are allotted to the applicable program. The recorded liability and expense must cover the total amount to be disbursed. As payments are made, the liability must be reduced.

C. Reimbursable Events. When payments are based on the occurrence of a specific event for which costs are reimbursable under an entitlement program, a liability must be recorded when the event occurs. If the reimbursement is based on end-of-period reports from program administrators, an estimated amount must be accrued at the end of a reporting period.

160202. Identifiable Refunds

When the expense for payments made under an entitlement program exceeds the appropriation (permissible for certain programs under special statutory authority), the source of the related funds must be clearly identified. If the funds were borrowed, the appropriate liability account must be established.

160203. Suspension of Payments

When substantiated doubt exists on the continued entitlement of a military retiree or annuitant to receive benefit payments and payments on an account are suspended, the Defense Finance and Accounting Service (DFAS-IN) must cease obligating on the subject account for retired pay, retainer pay, or annuitant benefits. Previously obligated amounts must be deobligated to the extent of recoveries on previous payments or amounts held in a suspense account. Although this procedure is directed primarily at suspected death status accounts, it applies equally to other situations that may terminate entitlement. Examples of other situations include (but are not limited to) employment by a foreign government, renouncing U.S. citizenship, remarriage of a surviving spouse, and certain student annuitants dropping out of school.

1603 ACCOUNTING POLICY FOR THE ACCRUAL AND INVESTMENT OF RETIRED MILITARY PAY

160301. Retired Pay Entitlements

Retired military pay is a pension program established by Title 10, United States Code (U.S.C.) Chapter 74 ***(10 U.S.C. 74)*** is administered by the Secretary of the Treasury. The MRF shall be used for the accumulation of funds in order to finance on an actuarially sound basis, liabilities of the DoD under military retirement and survivor benefit programs. As such, the program fits under the category of entitlement authority as defined by ***2 U.S.C. 622(9)***.

160302. MRF Assets

In accordance with 10 U.S.C. 74, §1462., The Assets of Fund, payments are made to the DoD MRF, which contains the following assets:

A. Amounts paid into the Retirement Fund from the Military Personnel, Reserve Personnel and National Guard Personnel appropriations representing future retirement and survivor benefits being accrued by members performing current service.

B. Amounts paid into the Retirement Fund from the Treasury as an unfunded liability and Concurrent Receipt normal cost payment.

C. Interest earnings on investments in government securities made by Treasury and the payment of the par values of these securities at maturity.

160303. Unfunded MRF Liabilities

Determinations of funding amounts for the current portion of retired military benefits and amounts required to liquidate the unfunded portion of the MRF are discussed in the remainder of this section.

A. Amounts payable to the MRF necessary to fund present and future benefits payable to military retirees and their survivors must be based on actuarial funding determinations by the DoD Office of the Actuary (DoD OACT), using methods and economic assumptions (including the inflation, interest, and salary rates) approved by the DoD Board of Actuaries and in accordance with ***10 U.S.C 1465***. DoD Components must include sufficient funds to be transferred to the MRF, as determined by the DoD OACT, in their Military Personnel appropriation budgets.

B. The annual amount required to liquidate the unfunded liability of the MRF must be calculated by the DoD OACT, in accordance with methods and assumptions approved by the DoD Board of Actuaries.

C. Amounts to be transferred to the MRF for retired pay accrual must be obligated by the DoD Components at the same time military retired pay is obligated, as required in Volume 4 Chapter 16 (See Military Retirement Trust Fund).

D. Entitlements for military retired pay and surviving annuities are described in Volume 7B, Chapter 29. Payments of authorized and accrued benefits must be made from the MRF, a trust fund established under Public Law 98-94, in accordance with ***10 U.S.C. 1463***.

E. Calculations of funding amounts for the current portion of retired military benefits must be performed centrally by the Military Departments for Active Reserve, and National Guard military personnel. The calculations must employ retired military pay accrual percentages published annually by the Office of the Secretary of Defense (OSD) and must be applied to the total base pay amount calculated. The term "base pay" means outlays for basic pay. This information is found at ***http://comptroller.defense.gov***, and click on the DoD reimbursable rates in the quick links section. The Military Departments also must obligate and disburse amounts calculated for the retired pay accrual in the applicable military pay Active Duty Reserve, and National Guard accounts and deposit the funds to the MRF receipt account 97X8097.001 - Employing Agency Contribution, DoD MRF.

160304. Investment of MRF Cash Balances

The Investment Fund Manager, DFAS, is responsible for investing cash balances of the MRF not needed to cover current retirement payments. Investments are limited to Market-Based U.S. Government Special Securities issued by the Department of the Treasury **(see *10 U.S.C. 74, §1467*).**

160305. Calculation of Retired Pay Benefits

Retired pay benefits must be calculated (see ***Volume 7B, Chapter 3***) and paid by DFAS.

160306. Reimbursements of Retired Military Pay

All reimbursements made to DoD Components in accordance with the guidance contained in ***Volume 11A, Chapter 6*** for retired military pay must be credited to the applicable military personnel appropriation account.

160307. Accounting for MRF Obligations and Accruals

Using DoD Board of Actuarial approved relevant actuarially percentages for obligations and accruals, military pay active duty accounts and Reserve and National Guard personnel accounts must be accounted for as follows:

A. Amounts equating to an actuarially determined percentage of basic pay must be obligated each month for subsequent payment to the MRF.

B. Accounting for the direct program must be at the budget sub-activity level presently prescribed in ***Volume 2A, Chapter 2***. Accounting for the reimbursable program may use a simplified structure to include basic pay, retired pay accrual, and other.

C. The amount accrued for retired pay must be obligated each month. At the end of the month, amounts obligated for retired pay accrual must be disbursed. If information on the total entitlement and total expenditures is not available at the end of the month, estimates may be used and appropriate adjustments made when the actual amounts become known.

D. Release of funds must be consistent with budgetary authority. An undelivered order entry must be made at the beginning of each month to accrue the estimated MRF obligations to the members. Before the end of each month, the actual obligations must be recorded and an accrued expenditure (paid or unpaid, as applicable) established. The corresponding disbursement of funds must agree with the reported outlay and amount obligated.

E. All military pay accounting systems must provide for the recording of obligations for basic pay separate from other kinds of pay and allowances. However, the liquidation of obligations for pay and allowances may be on a gross basis. If the actual amount of basic pay disbursed is not known at the end of the month, an estimated retired pay obligation to be liquidated and disbursed to the MRF may be developed by a formula such as: multiplying the estimated basic pay by the retired pay accrual percentage (provided by the DoD OACT).

F. Disbursements for retired pay benefits accruals must be deposited, via the Intra-government Payment and Collection (IPAC) System, at the end of each month to trust fund receipt account 97X8097.001 - Employing Agency Contribution, DoD MRF. The associated disbursement and collection transactions must be supported using a Standard Form 1081, "Voucher and Schedule of Withdrawals and Credits." The SF 1081 must be properly certified

prior to submission to the DFAS Trust Fund Accounting and Reporting (TFAR) division. The disbursing officer making the payment also must process the collection, forward a copy of the completed SF 1081 to DFAS, TFAR, and report both the disbursement and collection transactions on the monthly Financial Management Service (FMS) Form 1220, "Statement of Transactions." The DFAS copy of the SF 1081, with all supporting documentation, must be transmitted electronically, immediately upon completion of the transactions, so that the deposit may be recorded in the MRF as soon as possible and the funds invested.

160308. Accounting for MRF Appropriations

The permanent indefinite appropriations, 97_0040, "Payments to Military Retirement Fund, Defense," and 97_0041, "Concurrent Receipt Accrual Payments to the Military Retirement Fund, Defense," are accounted for as follows:

A. At least 3 weeks before the end of the fiscal year, the Secretary of Defense must provide the Secretary of the Treasury with a certification of the amounts, as determined using methods and assumptions approved by the DoD Board of Actuaries that should be deposited to these accounts for the ensuing fiscal year (copies of Actuary documents can be found at references (j), (k) and (l)). The certification must include the amounts needed to fund the amortization of the original unfunded liability for military retirement, any other unfunded liability resulting from benefit structure changes and actuarial gains or losses, and the portion of the accrual charge to be funded by the Department of the Treasury. A copy of the certification must be sent directly to:

Department of the Treasury
Bureau of Fiscal Services
Budget Reports Division Appropriation Analysis Team
Room 5D22-PGMCII
3700 East-West Highway
Hyattsville, MD 20782

B. Upon receipt of the certification, the Treasury Department provides the FMS Form 6200, "Department of the Treasury Appropriation Warrant," for the amount certified. The Warrant must be dated October 1 and provided to DFAS on or before that date so that the funds are available for immediate investment in the new fiscal year.

C. On October 1, DFAS is required to: (1) record the FMS 6200 to 97_0040 – Payments to MRF, Defense; (2) disburse the entire amount from 97_0040; and (3) deposit it to trust fund receipt account 97X8097.003 - Federal Contribution, DoD MRF.

D. The DoD MRF is classified as a trust fund and makes use of both receipt and expenditure accounts since it is not designated as a trust revolving fund.

1. Deposits are made to the following trust fund receipt accounts as applicable:

a. 97X8097.001 - Employing Agency Contribution, Department of Defense Military Retirement Fund. Payments from DoD Military Departments for accrual of future retired pay benefits and transfers of deposits made by Judges of the U.S. Court of Military Appeals, including interest, from the Civil Service Retirement and Disability Fund – 24X8135 and the payment from the indefinite appropriation for the normal costs contribution – 97_0041.

b. 97X8097.002 - Earnings on Investments, Department of Defense Military Retirement Fund. Payment of interest by Treasury on Fund investments in U.S. securities.

c. 97X8097.003 - Federal Contribution, Department of Defense Military Retirement Fund. Payments from the permanent indefinite appropriation for the unfunded liability – 97_0040.

d. (62) 97X8097 - Disbursements-Unamortized Premium and Discount, Department of Defense Military Retirement Fund. Purchase of premium, interest, and discount.

e. (72) 97X8097 - Receipts-Unamortized Premium and Discount, Department of Defense Military Retirement Fund. Write-off and amortization of premium and discount and collection of interest purchased.

2. The treasury account symbol for the trust fund expenditure account is 97X8097. Amounts deposited to the receipt accounts identified in subparagraph 160308.D.1 are available immediately to the trust fund expenditure account for investment or payment of retired pay benefits.

a. Account 97X8097 must incorporate the same budget activity structure as the account "Retired Pay, Defense." Accounting must be at least at the budget activity level, and lower level accounts must be established as necessary to meet reporting requirements.

b. Since account 97X8097 is an OSD account, DFAS is responsible for its overall accounting and reporting.

c. Acting for the Secretary of Defense, DFAS must allocate a portion of 97X8097 to each Military Department in order to fund payments of retirement benefits.

d. Annuity payments to retired Judges of the U.S. Court of Military Appeals must be charged to 97X8097.

160309. MRF Financial Reporting Requirements

A. DoD Components must report in their Statement of Operations the amount of Federal contributions (including accrued amounts), if any, made to the pension plans(s) on

behalf of their employees. The agency contribution must not include amounts withheld from employee's compensation for submission to the plan(s).

B. DoD Components which administer programs that provide annuity benefits to eligible participants must recognize, for reporting purposes, an actuarial (accrued) liability for the program. Determination of the liability must be in accordance with applicable FASAB standards (e.g., SFFAS 5 and SFFAS 33).

1. For the year in which the actuarial (accrued) liability is first recorded, the initial amount of the liability must be reported as an accounting change, i.e., a charge to equity and an accrued liability. Thereafter, changes in the liability each year must be charged or credited to expense.

2. Footnotes to the financial statements must disclose the nature and amount of required agency contributions, if any. The footnotes also must disclose the agency responsible for reporting the pension plan's unfunded liability. The following is an example of the footnote can be found in Reference (m).

3. Financial information for pension plans must be reported in the annual financial statements of administering agencies.

4. The notes to the financial statements must include a description of the methods and significant assumptions used in computing the actuarial present value of future program benefits. Additionally, if the actuarial liability computed in accordance with these standards is different from the actuarial liability computed for funding purposes, the footnotes must include an adequate explanation of the basis for any significant differences between the two liabilities.

C. DFAS is responsible for preparing MRF reports in accordance with Volume 6A.

1. Standard Form (SF) 133, Report on Budget Execution. DFAS must submit the SF 133 for all MRF expenditure accounts.

2. ACCT RPT (M) 1002, Appropriation Status by Fiscal Year Program and Subaccounts. DFAS must submit this report for the MRF expenditure account prepared in accordance with Volume 6A, Chapter 4.

3. Other Reports. DFAS must follow the instructions in Volume 6A as applicable. In addition, the Military Departments must comply with the monthly reporting requirements contained in Volume 6A.

D. Status of Funds. The DFAS must prepare a Status of Funds and forward it to the Deputy Comptroller, Program/Budget, on the fifteenth workday of the following month. The DFAS must report actual data for current fiscal year through the previous fiscal month.

1604 ACCOUNTING POLICY FOR THE ACCRUAL, INVESTMENT, AND TRANSFERS OF THE MEDICARE-ELIGIBLE RETIREE HEALTH CARE FUND (MERHCF)

160401. Purpose

Established by the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001, Public Law 106-398, as amended, the MERHCF pays the qualifying health care service costs of all uniformed service retiree health care programs for the benefit of members or former members of a participating service who are entitled to retired or retainer pay and are Medicare eligible, their dependents who are Medicare eligible, and survivors who are Medicare eligible in accordance with Reference (a) and DoD policy established in DoD Instruction 6070.02 (Reference (c)).

160402. Medicare-eligible Retiree Health Care Entitlements

The DoD MERHCF is an OSD Special Fund and is considered an entitlement authority as defined in 2 U.S.C. 622(9). The DoD MERHCF, administered by the Secretary of the Treasury, must be used for the accumulation of funds in order to finance, on an actuarially sound basis, liabilities of DoD under uniformed services health care programs for specific Medicare-eligible beneficiaries, as designated by Sections through 1117 of Title 10, United States Code (Reference (a)).

160403. Proponent for MERHCF

DFAS, acting for the Secretary of Defense, is responsible for the accounting and reporting of this OSD Special Fund. Other primary responsibilities related to the MERHCF are assigned in DoD Instruction (DoDI) 6070.02 (Reference (c)).

160404. MERHCF Accounts

The DoD MERHCF (account 97X5472) is classified as a Special Fund and uses both receipt and expenditure accounts. The symbol 97X5472 is the special fund expenditure account. Amounts deposited to the MERHCF receipt accounts are available immediately to the special fund expenditure account for investment, payment of benefits and administrative costs. Transfers from 97X5472 must be reported as expenditures. Transfers received by the appropriate program accounts must be reported as offsetting collections and as expenditures when expenses are paid. Acting for the Secretary of Defense, DFAS must make amounts available from 97X5472 in order to fund all qualifying expenses. All credits (deposits) and charges (payments) to ALC 97200010 for account 97X5472 made through the IPAC system must be reported to Treasury using the Governmentwide Accounting (GWA) system. .

A. Deposit Accounts. Deposits are made to the following special fund receipt accounts, as applicable:

1. 97X5472.001 – Non-DoD Employing Agency Contributions, DoD MERHCF. Payments from participating uniformed services for accrual of future health benefits.

2. 97X5472.002 – Earnings on Investments, DoD MERHCF. Payment of interest by Treasury on Fund investments in U.S. public debt securities.

3. 97X5472.003 – Federal Contributions, DoD MERHCF. Payments from the permanent indefinite appropriation for the unfunded liability – 97X0850.

4. 97X5472.004 – Refunds Received, DoD MERHCF. Refund of amounts previously transferred from the Fund, which are determined to be not necessary for the purposes transferred.

5. 97X5472.005 DoD Employee Contributions, DOD Retiree Health Care Fund DOD MERHCF Payments from Military Services.

B. Investment Accounts. The following accounts are used exclusively for investment transactions in U.S. securities, as applicable:

1. (62) 97X5472 – Disbursements, Unamortized Premium and Discount. Purchase of premium, discount (CR) and interest.

2. (72) 97X5472 – Receipts, Unamortized Premium and Discount. Write-off and amortization of premium and discount and collection of interest purchased.

3. (88) 97X5472 – Investment in U.S. Securities (par). The par value of purchases of U.S. securities.

4. (98) 97X5472 – Redemption of U.S. Securities (par). The par value of redemptions prior to maturity and the par value of matured U.S. securities.

160405. DoD Medicare Eligible Retiree Health Care Fund Assets

A. Contributions. Amounts are contributed to MERHCF by the DoD, other uniformed services (Coast Guard, National Oceanic and Atmospheric Administration, and U.S. Public Health Service)., and the Department of the Treasury. These amounts must be based on determinations by the DoD Office of the Actuary (OACT) under methods and assumptions approved by the DoD MERHCF Board in accordance with the provisions of Reference (a) and Reference (c) as follows:

1. DoD. Amounts are paid into MERHCF from the Military Personnel, Reserve Personnel and National Guard Personnel appropriations to fund future benefits payable from MERHCF attributable to Military Service rendered in the current fiscal year.

2. Other Uniformed Services. Amounts paid into MERHCF from other uniformed services

B. Unfunded Actuarial Liability Payment. Amounts paid into MERHCF from a permanent indefinite general fund appropriation, 97X0850, to fund future benefits payable from MERHCF attributable to service rendered prior to October 1, 2002 (i.e., the unfunded actuarial liability) as well as all actuarial gains and losses.

C. Investment Income. Income on the invested portion of MERHCF.

D. Return of Prospective Payment Transfers. Amounts returned to MERHCF that were previously transferred to fund the payment of expenses.

160406. Accounting for MERHCF Revenues

Amounts earned on investments are recorded by DFAS in accordance with the provisions of Reference (a), Reference (c) and applicable accounting principles. DFAS deposits the amounts received for investment income into the MERHCF receipt account entitled "Earnings on Investments, DoD MERHCF" (account number 97 X 5472.002). Amounts contributed to MERHCF by the DoD, other uniformed services, and Department of the Treasury must be based on determinations by the DoD Office of the Actuary (OACT) under methods and assumptions approved by the DoD MERHCF Board in accordance with the provisions of Reference (a) and Reference (c):

A. Annual Certification Letter and Apportionment.

1. Prior to the beginning of each fiscal year, the Secretary of Defense issues a letter certifying the amortization payment (the initial unfunded actuarial liability plus amortization of actuarial gains and losses) and the normal cost contributions (the accrued cost associated with the current year's military service) on behalf of DoD. The normal cost contributions are determined in accordance with Reference (a) and (c).

2. The certifying letter must request the Department of the Treasury to issue warrants to the DoD MERHCF payment account (97X0850) at the start of the fiscal year for the amortization payment and to the ten MERHCF contribution accounts for the normal cost accrual contributions. A copy of the letter must be sent directly to:

Department of the Treasury
Bureau of Fiscal Services
Budget Reports Division Appropriation Analysis Team
Room 5D22-PGMCII
3700 East-West Highway
Hyattsville, MD 20782

3. The Office of the Undersecretary of Defense (Comptroller) (OUSD(C)) submits an apportionment request to the Office of Management and Budget (OMB) for the ten MERHCF contribution accounts. The MERHCF contribution accounts to one of the ten military personnel accounts (Active, Reserve, and National Guard).

B. Accounting for the Amortization of the Unfunded Actuarial Liability.

1. Upon receipt of the certification, the Department of the Treasury provides the FMS 6200, "Appropriations Warrant" for the certified amortization amount. The warrant must be dated October 1 and provided to DFAS on or before that date so that the funds are available for immediate investment in the new fiscal year.

2. On October 1, DFAS must record the FMS 6200, disburse the entire amortization amount from 97X0850, and deposit it to special fund receipt account 97X5472.003 – Federal Contributions, DoD MERHCF and notify the DoD OACT, the USD(C), and the Director, DHA when the payments are deposited.

C. Accounting for Military Pay Contributions.

1. On the first duty day of October, Treasury issues warrants to the ten MERHCF normal cost contribution accounts. The Military Services will transmit payment to MERHCF, via facsimile or email, using an SF 1081 as supporting documentation for the IPAC.

2. To ensure the timely payment of funds and prevent a possible loss of interest to MERHCF, the Military Services must pre-coordinate their payments with the DFAS TFAR prior to the issuance of warrants by Department of the Treasury and must prepare the SF 1081 to transmit payment based on the amounts certified by the Deputy Secretary of Defense.

3. DFAS deposits the amounts received for the normal cost contribution amounts into the MERHCF receipt account entitled "Employing Agency Contributions, DoD Medicare Eligible Retiree Health Care Fund" (account number 97 X 5472.001) and notifies the USD(C), the DoD OACT, and DHA when these payments have been deposited.

D. Accounting for Other Uniformed Services Contributions.

1. The normal cost contribution payments to MERHCF for participating uniformed services must be computed and deposited in a manner similar to that described for the Military Services in subparagraph 160405.C using the rates provided by DoD OACT in accordance with the provisions of References (a) and (c).

2. Payments to the MERHCF will be made at the beginning of the fiscal year to ALC 97200010 through the IPAC system. DFAS must credit the special fund account 97X5472.001 - "Non-DoD Employing Agency Contributions, Department of Defense Medicare-Eligible Retiree Health Care Fund." Documentation supporting the deposits must be transmitted electronically to DFAS prior to or immediately upon completion of the transaction.

160407. Investment of MERHCF Cash Balances

The Investment Fund Manager, DFAS, is responsible for investing cash balances of MERHCF not required to meet current withdrawals. Investments are limited to Market-Based U.S. Government Special Securities issued by the Department of the Treasury and are made in accordance with the provisions of Reference (a). The income on such investments must be credited to receipt account 97X5472.002 – Earnings on Investments, DoD Medicare-Eligible Retiree Health Care Fund and form a part of MERHCF. The reporting instructions for accounts invested in Department of the Treasury securities contained in the Treasury Financial Manual (1TFM 2-4300) do not pertain to the DoD MERHCF (97X5472). The reporting procedures for this Fund were agreed to by Treasury's FMS and Bureau of the Public Debt, OMB, and DoD. These agreed-upon procedures were formalized by DoD and Treasury in 1993, and DFAS must maintain documentation of the agreement.

*160408. Accounting for MERHCF Outlays

A. DFAS must make amounts available from the special fund, account 97X5472, for payment of qualifying expenses in accordance with the provisions of Reference (a) and Reference (c):

1. Amounts transferred from MERHCF shall be merged with and available for the same purposes and for the same time period as the appropriation to which transferred in accordance with the provisions of Reference (a).

2. Funds may be returned to the MERHCF within two years in accordance with the provisions of Reference (a).

3. The Defense Health Agency (DHA) determines annual prospective payments / transfer amounts from MERHCF in accordance with Reference (a), Reference (c), and the following accounting and financial management processes for two categories of health care expenses: Purchased Care and Direct Care.

B. Purchased Care. Health care purchased from non-DoD providers is paid through the Operation and Maintenance (O&M) accounts within the MERHCF under the DHA Contract Resource Management (DHA-CRM) limit code (97X5472.18D9). For Purchased Care, the DHA-CRM must provide an estimated annual expense program to DFAS and the Director, DHA, at least one month prior to the start of each fiscal year. These estimates are used by DFAS for management of the investment portfolio and effective cash management and forecasting and are used by the Director, DHA in the development of the annual distribution plan. Accounting and financial management processes for using MERHCF funds for payment of pharmacy claims and health care purchased from non-DoD providers are as follows:

1. A Funding Authorization Document (FAD) will be issued to DHA-CRM for MERHCF funding in the amount(s) approved on the annual/quarterly distribution plan.

2. DHA-CRM uses this MERHCF funding for modifications to contracts for administrative payments and for pass through costs for healthcare and pharmacy claims attributable to Medicare eligible beneficiaries.

a. The TRICARE Dual Eligible Fiscal Intermediary Contract (TDEFIC), TRICARE Overseas Program (TOP), and TRICARE Pharmacy Program (TPHARM – Mail Order and Retail) contracts process individual healthcare claims and administrative costs including per claim administrative payments and monthly costs. These contracts utilize TRICARE Encounter Data (TED) to process healthcare and pharmacy claims as well as the claim rate associated with the claims.

b. Uniformed Services Family Health Plan (USFHP) contracts have capitated rates by contract based upon enrollments at each USFHP hospital. Modifications to the contracts are done at least once a year to initiate a new option period and to set aside funds for the new fiscal year. Each modification for MERHCF funding is an estimate of enrollments of Medicare-eligible retirees, retiree family members, and survivors for the period of time covered by the modification (i.e. one year, one month, etc.).

c. Marketing and Education contract supports the healthcare and pharmacy contracts with marketing and educational materials. Modifications to the contracts are done at least once a year to initiate a new option period.

3. DHA-CRM makes payments based on contract requirements and the appropriate funding source.

4. Validation of claims processed against MERHCF:

a. TED related health care and pharmacy claims and administrative payments are validated through a series of edits in TED and in DHA-CRM's accounting system. Edits include validation of funding source based on claim details contained in the TED records. This ensures that only costs attributable to Medicare-eligible beneficiaries have been included in payments drawn from the Fund.

b. Modifications to contracts are not processed without the availability of MERHCF funding on the FAD. Payments are reconciled against available funding on the modifications when payments are made.

5. DFAS and DHA-CRM Reporting Procedures:

a. Estimated payments and collections using MERHCF funds will be reported to DFAS, as needed, by agreement with DFAS. Payments and collections include those made through all Treasury systems used by DHA-CRM.

b. At the end of every month, DHA-CRM will report to DFAS a final reconciliation of payments and collections that used MERHCF funds for the month.

c. At the end of every month, DHA-CRM will report the amounts of open accounts payable and open accounts receivable using MERHCF funds for use in Federal financial statement reporting.

C. Direct Care. Direct care is health care services provided to Medicare eligible beneficiaries directly in Military Treatment Facilities (MTFs) of the DHA Service Medical Activities (SMA) of the Army, Navy and Air Force and the DHA National Capital Region Medical Directorate (NCR MD).

1. Defense Health Program (DHP) O&M Transfers. Direct care qualifying expenses are paid through the Defense Health Program (DHP) O&M account (0130188*/18P*) for the SMAs and the NCR MD. MERHCF transfers for benefit outlays are reported in GWA by ALC 97200010 as an increase to the Defense Health Program account 97 CY 0130 for the current fiscal year and as an increase to the expenditure account 97X5472. This must be completed by DFAS on the first work day of each quarter and reported to Treasury. Copies of the SF1081 recording the transfer must be sent by DFAS to the appropriate Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) Directorate, who must distribute the funds to DHA via a Funding Authorization Document.

2. Military Pay Reimbursements. Direct care funding amounts for Military Personnel (MILPERS) accounts of the Army, Navy and Air Force for health care provided to Medicare eligible beneficiaries in MTFs by active duty Service personnel are processed via IPAC and reported in the same manner as other IPAC transactions. This must be completed by DFAS on the first work day of each quarter. Copies of the SF 1081 (or SF 1151) supporting these transactions must be sent to the appropriate OUSD(C) Directorates and DFAS sites that account for the funds.

D. Direct Care Annual Prospective Payment Development. The Director, DHA annually develops prospective payment amounts for the estimated costs of providing health care services projected to be provided in MTFs to Medicare-eligible beneficiaries as authorized by Reference (a) and in accordance with Reference (b). The annual projected expenses are transferred in quarterly increments in accordance with a distribution plan provided by DHA to DFAS approximately one month prior to the start of each fiscal year. The annual distribution plan to DFAS contains quarterly payment amounts by Uniform Service, and for the NCR MD as appropriate, for the Service MILPERS payments and the DHP O&M payments and transfers. The DHP O&M projected payment includes civilian pay expense.

1. Expense Allocation. The DHA bases prospective payment amounts on expenses reported by the MTF's Medical Expense and Performance Reporting System (MEPRS) and patient encounter data for the most recent fiscal year for which data is complete at the time the calculations are prepared. MEPRS expense data are recorded as MILPERS and DHP O&M components of costs per individual patient encounter to develop a workload Level of Effort" (LOE) for each Service and the NCR MD for that fiscal year. After the LOE and cost allocations for each SMA and the NCR MD are adjusted and reconciled with the distributions previously made for that fiscal year, the LOE rate amounts and cost allocations

by service are inflated to the coming fiscal year's equivalent for execution using standard OMB inflation rates applicable to the Medical industry and issued in OSD inflation guidance.

2. Workload Rate Development. DHA develops the MTF-specific rates for the prospective payment calculation. These MTF-specific rates are the average dollar expense per workload unit for each MTF as described in the following subparagraphs for Medicare Severity-Relative Weighted Product (MS-RWP), Composite Weights, or Outpatient Pharmacy prescriptions. These rates are separated into MILPERS and DHP O&M rates and shall be developed for the following categories of health care services:

a. Inpatient care -- cost per MS-RWP. An MS-RWP is a DoD measure of workload that represents the relative resource consumption of a patient's hospitalization as compared to that of other inpatients. MS-RWPs are generated as the result of completed Composite Health Care System (CHCS) Standard Inpatient Data Records (SIDRs). The prospective payment amount for inpatient care for eligible beneficiaries for each MTF shall be the product of the estimated MS-RWPs for that MTF multiplied by the MTF-specific rate per MS-RWP for the year of execution. The MS-RWP data source shall be the Military Health System Data Repository (MDR).

b. Outpatient care -- cost per Composite Weights. Composite weights are a combination of Ambulatory Payment Classification (APC) weights and relative value units (RVUs). The Composite Weight is an ambulatory workload measure of encounters adjusted for case complexity as measured by combining provider aggregate RVU with APC aggregate weight after standardizing to an APC-based unit. Composite Weight components (APCs and RVUs) are generated from Comprehensive Ambulatory Provider Encounter Records (CAPERs). The prospective payment amount for outpatient care for each MTF shall be the product of the estimated composite weights for that MTF multiplied by the MTF-specific rate per composite weight for the year of execution. The CAPERs data source shall be the MDR.

c. MTF Outpatient Pharmacy. MTF Outpatient Pharmacy prospective payments shall be calculated for two separate cost components:

(1) Ingredient costs. Ingredient costs are prices paid for pharmacy ingredients (drugs) purchased from vendors. The prospective payment amount is based on qualifying MEPRS pharmacy "ingredient" expenses allocated to beneficiary categories (DoD and other Uniformed Services) on the basis of Pharmacy Data Transaction Service (PDTS) drug costs.

(2) Non-ingredient costs. Non-ingredient costs are all other costs associated with MTF Outpatient Pharmacy operations as allocated in MEPRS. These rates are based on MEPRS costs per prescription for the most recent fiscal year for which data is complete at the time the calculations are prepared, inflated to the year of execution. Prospective payment amounts are based on qualifying MEPRS pharmacy "non-ingredient" expenses allocated to beneficiary categories (DoD and other Uniformed Services) on the basis of PDTS prescription counts (volume) for Military Pay and non-ingredient O&M. The data source for the number of prescriptions filled shall be the MDR using data fed from PDTS.

3. Management Controls on Data Used to Develop Prospective Payment Amounts. Management controls on data used to develop prospective payment amounts include, but are not limited to, the following:

a. The MEPRS data and the MS-RWP, SIDR, and CAPER records shall be prepared, reviewed, and validated in accordance with DoD Manual 6010.13 (Reference (c)) and DoD Instruction 6040.40 (Reference (d)).

b. MEPRS data shall be recorded and maintained by the Military Departments in accordance with DoD Manual 6010.13-M (Reference (f)).

c. The Defense Manpower Data Center within the Defense Human Resources Activity under the Under Secretary of Defense for Personnel and Readiness (USD (P&R)) receives a monthly data feed from the Centers for Medicare and Medicaid Services that provides Medicare eligibility data. These data are merged with data in the Defense Enrollment Eligibility Reporting System (DEERS) to provide both DoD and Medicare eligibility status. Individual patient eligibility data shall be verified for each patient encounter using DEERS, and subsequently stored in the encounter record by the capture system (Composite Health Care System or claims processor). If a source system does not perform this check and recoding, the records from that system shall be verified centrally through merge and comparison to the DEERS extracts.

4. Execution Reviews.

a. Comparison of the MTF LOE to the Prospective Payment Amount. After the year of execution is complete and the associated expenses and workload data are available, DHA conducts an execution review in coordination with USD(C), SMAs and the NCR MD to determine the direct care MTF level of effort (LOE) for that fiscal year and the allocated actual expense to estimate the cost of caring for the Medicare eligible beneficiaries during that period. The prospective payment amounts for that fiscal year that were paid to each SMA and the NCR MD are compared to the allocated expenses and actual workload LOE calculated for the same time period.

b. Reconciliation and Execution Review. Results of the execution review (LOE calculation) are:

(1) Reported to the DoD Office of the Actuary (DoD OACT) for use in determining future Fund requirements under the oversight of the Medicare Eligible Retiree Health Care Board of Actuaries (MERHCF Board).

(2) Used during subsequent Program and Budget Reviews with OSD to determine impacts, if any, to future MTF prospective payment amounts.

(3) Used to determine whether any additional transfers from the Fund or transfers back to the Fund are appropriate for Direct Care payments. Prospective payment amounts (full or partial) determined to be not necessary (in excess of

reconciled expenses), may be returned to the MERHCF within two years after the end of the obligation year that funds were originally transferred in accordance with Reference (a). Returns to the MERHCF should be processed to the appropriate MERHCF account listed in subparagraph 160403 A.

(4) Used as a starting point for developing the coming fiscal year's prospective payment amounts. The workload units and expense allocation used in the execution review is described in subparagraph 160407 C.

160409. MERHCF Financial Reporting Requirements

A. Permanent Indefinite Appropriation 97X0850 – Payment to DoD MERHCF. The DFAS is responsible for preparing the reports for this account in accordance with Volume 6A.

B. SF 133, Report on Budget Execution. DFAS must submit a monthly SF 133 that includes all MERHCF accounts.

C. Federal Financial Statements. The DFAS must prepare all MERHCF Federal financial statements as required by ***OMB Circular A-136*** to support the DoD Agency-wide financial statement process. The MERHCF Federal financial statements must recognize a liability for the present value of future Medicare-Eligible Retiree Health Care benefits for eligible participants. For the year in which the liability is first recorded, the initial amount of the liability must be reported as an accounting change (i.e., a change to equity and an accrued liability). Thereafter, changes in the liability each year must be charged to expense.

D. Status of Funds. The DFAS must prepare a Status of Funds and forward it to the Deputy Comptroller, Program/Budget, on the fifteenth workday of the following month. The DFAS must report actual data for current fiscal year through the previous fiscal month.

*1605 DEFINITIONS

The following terms and their definitions apply to this chapter.

COST.
The price or cash value of the resources used to produce a program, project, or activity (OMB Circular A-11 (Reference (b)).

FEDERAL FINANCIAL STATEMENTS.
Principal financial statements and reporting information applicable to the MERHCF include the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, notes to financial statements and required supplementary information (RSI) as required by the Office of Management and Budget, Financial Reporting Requirements, August 3, 2012, at **the OMB web page and click the PDF link.** Other principal financial statements and information (not applicable to the MERHCF) include the Statement of Custodial Activity, Statement of Social Insurance, and Statement of Changes in Social Insurance Amounts, and required supplementary stewardship information (RSSI).

MEDICARE ELIGIBLE.
With respect to any person, means entitled to benefits under part A of title XVIII of the Social Security Act (Title 42 of United States Code 1395c et seq) (Reference (a)).

MILITARY TREATMENT FACILITIES.
A medical facility (hospital or clinic) operated by one or more of the Uniformed Services (Reference (g)).

NORMAL COST CONTRIBUTION.
Amounts paid into the Fund from the Military Personnel, Reserve Personnel and National Guard Personnel appropriations to fund future benefits payable from the Fund, attributable to military service rendered in the current fiscal year. Contribution amounts are based on the normal cost per capita rates (developed by the DoD OACT) multiplied by the expected average force strength (in the President's Budget) for that fiscal year. (DoD OACT website Reference (i)).

PER CAPITA NORMAL COST RATES.
Average per Uniformed Service member actuarial rate developed by the DoD OACT (Reference (i)).

REFUND.
The return of excess payments to or by the Government (Reference (f) retired or retainer pay. The gross entitlement for a member based on conditions of the retirement law, pay grade, years of service for basic pay, years of service for percentage multiplier, percentage of disability, if applicable, and date of retirement (transfer) DoDI 7770.01, (Reference (e)).

UNIFORMED SERVICES RETIREE HEALTH CARE PROGRAMS.

The provisions of this title or any other provision of law creating an entitlement to or eligibility for health care (services) for a member or former member of a participating uniformed service who is entitled to retired or retainer pay and an eligible dependent under such program (Reference (a)).

*1606 REFERENCES

(a)	***(10 U.S.C. 74)***	Sections 1111 through 1117 of Title 10, United States Code
(b)	***OMB Circular A-11, Section 20,***	"Terms and Concepts," 2012
(c)	***DoD Instruction 6070.02,***	"Department of Defense Medicare Eligible Retiree Health Care Fund Operations," current edition.
(d)	***DoD Instruction 6040.40,***	"Military Health System Data Quality Management Control Procedures," current edition
(e)	***DoD Instruction 7770.01,***	"Reporting Requirements for Retired Military Pay File Extracts," February 8, 2013
(f)	***DoD Manual 6010.13-M,***	"Medical Expense and Performance Reporting System for Fixed Military Medical and Dental Treatment Facilities," current edition.
(g)	***Joint Publication 1-02,***	"Department of Defense Dictionary of Military and Associated Terms," current edition
(h)	***Actuarial Standards Board***	Website of definitions
(i)	***DoD Office of the Actuary***	Website providing actuarial expertise on all matters relating to military compensation and benefits.

(j) ***2012 MERHCF Board Letter (DoD)***

(k) ***Signed Normal Cost Percentage Letter 2015***

(l) ***Signed Unfunded Liability Letter 2012***

(m) Sample of ***3Q13 MERHCF Note 17***

VOLUME 12, CHAPTER 17: "DoD Rewards Program"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated January 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
170103	Deletes outdated reference to the National Defense Authorization Act for Fiscal Year 2008. Renumbers subsequent paragraph.	Delete
170501	Extends rewards payment date in accordance with 10 United States Code, section 127b.	Update

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CHAPTER 17

DoD REWARDS PROGRAM

1701 PURPOSE AND APPLICABILITY

170101. Purpose

This chapter provides guidance on the implementation of the Department of Defense (DoD) Rewards Program and applies to all organizational entities within DoD. It covers the execution, management, recording and reporting of expenditures of U.S. appropriations available for the DoD Rewards Program. It assigns responsibilities for administering the DoD Rewards program; defines the purposes for which U.S. appropriations may be used; and provides specific procedures for executing, managing, recording and reporting such expenditures to ensure transparency and accountability of funds. The geographic combatant commanders are authorized to provide additional guidance consistent with this guidance.

170102. Title 10, U.S. Code, section 127b

Under ***Title 10, U.S. Code, section 127b***, "Assistance in Combating Terrorism: Rewards," the Secretary of Defense may pay rewards to persons for providing U.S. Government personnel or government personnel of allied forces participating in a combined operation with U.S. Armed Forces with information or non-lethal assistance that is beneficial to: (1) an operation or activity of the armed forces or of allied forces participating in a combined operation with allied forces conducted outside of the United States against international terrorism; or (2) force protection of the armed forces or allied forces participating in a combined operation with U.S. Armed Forces. This authority is useful to encourage the local citizens of foreign countries to provide information and other assistance, including the delivery of dangerous personnel and weapons, to U.S. Government personnel or government personnel of allied forces. The DoD Rewards Program makes available incentives that U.S. Government personnel or allied forces can use to encourage cooperation.

170103. Allied Forces

For the purposes of this document only, the term “allied forces” is defined as foreign government personnel participating with U.S. Armed Forces in combined operations outside of the United States against international terrorism.

1702 RESPONSIBILITIES

170201. Under Secretary of Defense (Comptroller)

The Under Secretary of Defense (Comptroller) (USD(C)) shall provide funds to the Director, Washington Headquarters Services (WHS), for the DoD Rewards Program.

170202. Under Secretary of Defense (Policy), Assistant Secretary of Defense Special Operations and Low Intensity Conflict

The Assistant Secretary of Defense Special Operations and Low Intensity Conflict (ASD SO/LIC) shall:

A. Implement policy for the DoD Rewards Program.

B. Maintain a single consolidated Secretary of Defense pre-approved rewards list. This list will include the identity, nominating headquarters or office, the amount approved and other relevant data. Combatant Commanders may nominate individuals or items to be placed on the pre-approved rewards list through the Director, Joint Staff.

C. Coordinate the Secretary of Defense pre-approved rewards list with the Department of State and the Department of Justice to ensure that a reward does not duplicate or interfere with the payment of reward authorized by those Departments.

170203. Geographic Combatant Commander

Each geographic combatant commander shall:

A. Designate, in writing, a program liaison officer to serve as the point of contact for all disbursement of funds, goods, or services;

B. Establish procedures for the accounting, obligating, cash management, and disbursement of funds;

C. Establish procedures and processes to coordinate notification of awards with appropriate representatives of the Department of State and the Department of Justice to ensure the making a reward does not duplicate or interfere with the payment of a reward authorized by those Departments.

D. Establish internal controls and review procedures for classified voucher processing when required and in accordance with Volume 5, Chapter 11: "Disbursements."

E. Provide a copy of commander-approved lists to the Director, Joint Staff as updates occur.

F. Report quarterly to the ASD SO/LIC, through the Director, Joint Staff using the format depicted at Figure 17-2, "DoD Rewards Program Quarterly Report."

G. Submit estimated rewards program budget requirement for the upcoming fiscal year on August 15 of the current fiscal year.

H. Report annually to the Director, Joint Staff, no later than October 15 of each year for the preceding fiscal year.

I. Request additional funds from ASD SO/LIC if all available funds for these purposes have been expended and additional funds are required.

170204. Director, Joint Staff

The Director, Joint Staff shall consolidate combatant command annual reports into a single report and provide to the ASD SO/LIC no later than November 1.

170205. Washington Headquarters Service

WHS shall allocate funds to the geographic combatant commanders at the direction of the ASD SO/LIC.

1703 IMPLEMENTING THE PROGRAM IN THE FIELD

170301. When a Reward May Be Paid

A reward may be paid for information or nonlethal assistance that is beneficial to (1) an operational activity of the armed forces or of allied forces participating in a combined operation with U.S. Armed Forces conducted outside the United States against international terrorism, or (2) force protection of the armed forces or of allied forces participating in a combined operation with U.S. Armed Forces.

170302. Payment Amounts Greater than $1,000,000

A monetary payment or a payment-in-kind in an amount greater than $1,000,000 and up to $5,000,000 requires the approval of the Secretary of Defense or the Deputy Secretary of Defense, or pursuant to a separate written delegation, the USD(P). If any nominated reward (pre-approved or otherwise) is in excess of $2,000,000, the Secretary of Defense by statute is required to first consult with the Secretary of State.

170303. Geographic Combatant Commanders Nominations for Reward Lists

Geographic combatant commanders may nominate individuals or items to be placed on the Secretary of Defense pre-approved rewards list for rewards in amounts that are in excess of the authority delegated to the combatant commanders. Geographic combatant commanders will submit nominations for the pre-approved rewards list through the Director, Joint Staff, to ASD SO/LIC. ASD SO/LIC will coordinate the Secretary of Defense pre-approved rewards list with the Department of State and the Department of Justice to ensure that a reward does not duplicate or interfere with the payment of a reward authorized by those departments, and will forward nominations to the Secretary of Defense or Deputy Secretary of Defense for approval. ASD SO/LIC will maintain a single consolidated list of Secretary of Defense pre-approved rewards. This list will include the identity, nominating headquarters or office, the amount approved, and other relevant data.

170304. Geographic Combatant Commander Approvals

A Geographic Combatant Commander is authorized to approve rewards in an amount or with a value not in excess of $1,000,000 per reward. Geographic combatant commanders are required to provide contemporaneous written notification to ASD SO/LIC when approving or pre-approving awards and payments of $200,000 or more.

170305. Geographic Combatant Commander's Pre-approved Rewards List

The geographic combatant commander may provide a list of pre-approved rewards for information or assistance related to specific persons or items. Pre-approval of rewards will allow forces in the field to pay a reward quickly for the information or assistance of high interest to the U.S. Government, with the approval of the combatant commander reflected in the pre-approved list. Geographic combatant commanders will provide a copy of their geographic combatant commander-approved lists to the Director, Joint Staff as updates occur.

170306. Deputy Geographic Combatant Commander Approvals

A geographic combatant commander may delegate his authority to approve or pre-approve rewards to the deputy commander. Further, a geographic combatant commander may delegate this authority to the commander of a command directly subordinate to that geographic combatant commander, subject to Secretary of Defense or the Deputy Secretary of Defense approval of such delegation of authority.

170307. Rewards Authorization Officer Approvals

A geographic combatant commander may further delegate the authority to approve for rewards in the amount or with a value not in excess of $10,000 to any subordinate U.S. service member or civilian U.S. government employee by authorizing the appointment of Rewards Authorization Officers (RAOs). All appointments shall be in writing and shall clearly state the scope of the reward authority, any limitations thereon, and the accounting procedures to be used. When authorizing the appointment of RAOs, geographic combatant commanders shall establish procedures and criteria that RAOs should apply to determine if information or other assistance merits payment of a reward, the type of reward, and the amount.

170308. RAO Certifies Reward Parameters are Met

When promulgating a list of pre-approved rewards to forces in the field, geographic combatant commanders will establish procedures and assign responsibility for certifying that information or assistance received satisfies the criteria for the geographic combatant commander's approval. Responsibility to certify that information or assistance meets the parameters of a pre-approved reward may be assigned without regard to the dollar value limits on delegation of reward approval authority. Only U.S. RAOs may be authorized to perform this function.

170309. Types of Reward Payments

Rewards may be paid in cash, either in U.S. or foreign currency. RAOs may also authorize payments-in-kind, including with food, local amenities, necessities, or communal rewards.

170310. Payments Made by Designated Disbursing Officers/Paying Agents

Once an RAO has authorized or certified a reward, that officer will notify the program liaison officer, or a designated disbursing officer or paying agent appointed in accordance with Volume 5, Chapter 2: "Disbursing Offices, Officers, and Agents", who will make the authorized payment.

170311. Coordination with Departments of State and Justice

The geographic combatant commander's procedures will include a process to coordinate with appropriate country team representatives of the Department of State and the Department of Justice to ensure making of a reward does not duplicate or interfere with the payment of a reward authorized by those departments.

170312. Requests for Additional Funds

Geographic combatant commanders may request additional funds from ASD SO/LIC if all available funds for these purposes have been expended and additional funds are required. Each geographic combatant commander will submit estimated budget requirements for the upcoming fiscal year on August 15th of the current fiscal year.

1704 PROCEDURES

170401. Allocation of Funds

The USD(C) shall ensure that DoD appropriations and other funds available for the Rewards Program are properly allocated to WHS for funds control and execution. Geographic combatant commanders will notify of the Director, Joint Staff of appropriate inter-theater allocation.

170402. Improper Usage of Funds

A U.S. citizen, an officer or employee of the U.S. federal, state, or local government, or an employee of a U.S. Government contractor shall not be eligible for a reward under the DoD Rewards Program. Members of a security force of a foreign government are not eligible to receive rewards under this program. The USD(P) may waive the prohibition against rewarding members of foreign security forces in specific countries, and will review such waivers at least annually. Requests for USD(P) approval of such authority should be sent to the ASD SO/LIC. Waivers approved prior to the effective date of this guidance remain in effect.

170403. Delivery, Transporting and Safeguarding of Funds

Any funds made available for the DoD Rewards Program shall be delivered, transported and safeguarded consistent with Volume 5, Chapter 3: "Keeping and Safeguarding Public Funds".

170404. Appointment of Paying Agents

Paying Agents responsible for making delivery of funds under the DoD Rewards Program shall be appointed consistent with Volume 5, Chapter 2: "Disbursing Offices, Officers, and Agents". The allied forces member shall receive the same training as U.S. paying agents and sign a statement of understanding. Foreign nationals and other non-U.S. citizens may not be held pecuniary liable for losses of funds, therefore when appointing non-U.S. citizens as paying agents consider the necessity and the risk of using allied paying agents. All funds advanced to and returned from the allied forces paying agents shall be documented on a DD Form 1081 (Statement of Agent's Officer's Account) in accordance with Volume 5, Chapter 19: "Disbursing Officers' Accountability Reports". Upon completion of authorized payments, the paid vouchers, negotiable instruments, and any balance of funds shall be returned to the disbursing officer with a properly completed DD Form 1081.

170405. Documentation of Payments

Payments under the DoD Rewards Program shall be made and documented consistent with Volume 5, Chapter 1: "Disbursements," and Volume 10, Chapter 8: "Supporting Documents to Payment Vouchers".

170406. Circumventing Limits

Monetary limits and approval requirements may not be circumvented by "splitting" a single reward through the multiple rewards, or otherwise.

170407. Clearance of Accounts

Accounts maintained under the Rewards Program shall be cleared consistent with, Volume 5, Chapter 2:"Disbursing Offices, Officers, and Agents".

170408. Certification of Payments

Payments made under the DoD Rewards Program shall be certified in a manner consistent with Volume 5, Chapter 33: "Accountable Officials and Certifying Officers".

170409. Audits and Program Reviews

The administration of the DoD Rewards Program will be subject to periodic audits by DoD's internal review and audit organizations, including the DoD Inspector General and the various audit agencies, as well as external organizations such as the Government Accountability Office and congressional oversight committees. All officials responsible for administering the

Rewards Program shall cooperate fully with any review, audit or investigation conducted by such organizations.

1705 PAYMENTS AND REWARDS THROUGH GOVERNMENT PERSONNEL OF ALLIED FORCES

*170501. Execution of Rewards Through Allied Government Personnel

The Secretary of Defense, geographic combatant commanders, and all delegated officials may use their authorities, acting through government personnel of allied forces to offer and make rewards. Rewards may not be paid acting through allied government officials after the payment date authorized by 10 U.S.C. section 127b.

170502. Request for Payment of Reward

Allied government personnel will forward requests for payment of rewards to the geographic combatant commander's appointed program liaison officer or to a RAO (U.S. service member or civilian U.S. Government employee) who has been delegated authority to approve a reward in the requested amount. That individual will determine if the information or other assistance merits payment of a reward, the type of reward, and the amount.

170503. Appointment of Allied Government Personnel as Paying Agents

When practical, rewards payments in support of allied forces will be directly distributed by U.S. personnel. When direct payment of rewards by U.S. personnel is not practical, commanders may appoint allied personnel as paying agents for the DoD Rewards Program, notwithstanding the requirement in the Department of Defense Financial Management (DoDFMR) that paying agents be U.S. service members or civilian U.S. Government employees. Commanders should adhere to the other provisions of the DoDFMR, Volume 5, Chapter 2: "Disbursing Offices, Officers, and Agents" when appointing allied paying agents. Commanders and disbursing officers must carefully consider the risks of using allied government personnel as paying agents. A paying agent is an agent to the disbursing officer, and the disbursing officer remains liable for public funds advanced to an allied paying agent. Commanders and disbursing officers must maintain prudent internal controls to minimize the potential risks of fraud, waste, and mismanagement by allied personnel. All funds advanced to and returned from the allied paying agent shall be documented on a DD Form 1081 in accordance with Volume 5, Chapter 19: "Disbursing Officers' Accountability Reports". Upon completion of authorized payments, the paid vouchers, negotiable instruments, and any balance of funds shall be returned to the disbursing officer with a properly completed DD Form 1081.

170504. Allied Government Personnel Limitations

Funds will not be advanced to allied paying agent until a specific reward has been approved for payment to an identified payee. Disbursing officers advance funds to allied paying agents after examination of the payment voucher for the rewards. All funds advanced to and returned from the allied paying agent shall be documented on a DD Form 1081.

170505. Allied Government Personnel Limitations

Combatant commands are responsible for ensuring all allied government personnel, nominated by their subordinate commands to offer or make rewards are properly qualified and trained. Combatant commands are also responsible for ensuring that allied government personnel through whom rewards are made perform their duties in accordance with DoD policy and procedures. Allied force government personnel participating in the reward program will have a designated U.S. liaison officer through whom to request reward funds or in-kind items and validate the information/non-lethal support.

1706 INFORMATION DISSEMINATION

170601. Information Dissemination

Media queries regarding the DoD Rewards Program shall be referred to the Office of the Assistant Secretary of Defense for Public Affairs.

170602. Program Identification and Combination with Other Programs

There is no requirement that this program be identified as a U.S. or DoD program or include an official U.S. or DoD symbol. Geographic combatant commanders may combine efforts with other U.S. Government rewards programs and are not required to differentiate this program from other U.S. Government Rewards Programs, provided the DoD Rewards Program does not duplicate or interfere with the payment or publicity of a reward authorized by the Department of State or the Department of Justice.

170603. Advertisements

Geographic combatant commanders are authorized to expend funds to publicize the DoD Rewards Program and to pay associated administrative costs. Advertisements may refer to coalition or allied headquarters as the agency offering the reward. Within a coalition or allied headquarters, U.S. control over reward offers and authorizations shall be maintained, with authorizations made by U.S. commanders at the level prescribed. Geographic combatant commanders are authorized, within existing authorities, to use theater information dissemination programs to support the DoD Rewards Program. Advertising programs should leverage Military Information Support Team (MIST) expertise to effectively advertise the DoD Rewards Program. MIST program funding may be used for advertising only if DoD Rewards Program advertising funds are insufficient. Funds expended to publicize and administer the program will be clearly identified and accounted for in quarterly and annual reports and include information on the target audience, funds required, and objectives. Establishment of call centers using DoD Rewards Program funding shall be coordinated and approved through the Director, Joint Staff, to ASD SO/LIC.

1707 REPORTS AND NOTIFICATIONS

170701. Combatant Commander's Quarterly Reports

Quarterly reports shall be submitted to ASD SO/LIC, through the Director, Joint Staff, using the format at Figure 17-1, "Record of Payment." The combatant command's quarterly reports will be submitted no later than 15 days after the end of each quarter of the fiscal year and will report for the preceding quarter and will include:

A. The amount or value of each reward and whether the reward was provided as monetary payment or payment-in-kind.

B. The recipient of each reward, identified by true name or by reference to National File Number in the Defense Source Registry, Source Code Identifier in the Interagency Source Registry, or One Time Source number assigned with a Collector Reporter Code. Reports may be submitted at the level of classification necessary to protect intelligence sources and methods. Rewards to anonymous sources are not authorized.

C. A description of the information or assistance for which the reward was paid, with an assessment of the significance and benefit of the information or assistance. The significance and benefit of the specific information or assistance received will be ranked as high (1), medium (2), or low (3) in the categories of Operations or Force Protection.

D. The amount expended, if any, to publicize the availability of the rewards program. Provide a description of services and products resulting from the expenditure of funds to publicize the availability of the rewards program.

E. The amount expended, if any, to administer the program. Provide a description of the actions or products resulting from the expenditure of funds for administration.

F. Identification of those rewards that are made acting through government personnel of Allied Forces. Include the nationality, office or position, and organization of the Allied government official who requested payment of the reward.

170702. Geographic Combatant Command Annual Reports

Annual reports shall be submitted to the Joint Staff, no later than October 15 of each year for the preceding fiscal year. The annual report will consolidate the information contained in the quarterly reports and provide an assessment of the program. The Director, Joint Staff will consolidate the combatant command annual reports into a single report and provide that report to ASD SO/LIC no later than November 1.

1708 WAIVERS

170801. Request for Waivers or Exceptions to Law

Request for waivers or exceptions to any provision of law that would (but for the waiver) prohibit, restrict, limit or otherwise constrain the execution of the reward program must be submitted through ASD SO/LIC, the USD(C), and DoD General Counsel to the Secretary of Defense for approval.

170802. Request for Waiver or Exception to Guidance

Requests for waivers or exceptions to this guidance must be submitted through ASD SO/LIC to the USD(C) for approval.

Figure 17-1. DoD Rewards Program Record of Payment

QTC	Reward Amount (US)	Reward Recipient	Description of Information/Assistance Provided	Significance/Benefit Assessment

Figure 17-2. DoD Rewards Program Quarterly Report Summary

FY 2008 Quarterly Report Summary

First Quarter	Command	**ALLOTMENTS:** Program Funds Allotted	**EXPENDITURES:** Obligated/Paid	Advertising/Administration
	USCENTCOM			
	USEUCOM			
	USPACOM			
	USSOUTHCOM			
	Totals:			
Second Quarter	Command	**ALLOTMENTS:** Program Funds Allotted	**EXPENDITURES:** Obligated/Paid	Advertising/Administration
	USCENTCOM			
	USEUCOM			
	USPACOM			
	USSOUTHCOM			
	Totals:			
Third Quarter	Command	**ALLOTMENTS:** Program Funds Allotted	**EXPENDITURES:** Obligated/Paid	Advertising/Administration
	USCENTCOM			
	USEUCOM			
	USPACOM			
	USSOUTHCOM			
	Totals:			
Fourth Quarter	Command	**ALLOTMENTS:** Program Funds Allotted	**EXPENDITURES:** Obligated/Paid	Advertising/Administration
	USCENTCOM			
	USEUCOM			
	USPACOM			
	USSOUTHCOM			
	Totals:			
Annual Totals	Command	**ALLOTMENTS:** Program Funds Allotted	**EXPENDITURES:** Obligated/Paid	Advertising/Administration
	USCENTCOM			
	USEUCOM			
	USPACOM			
	USSOUTHCOM			
	Totals:			

Figure 17-2. DoD Rewards Program Quarterly Report Summary

VOLUME 12 CHAPTER 18: "SUPPORT FOR MILITARY OPERATION LIAISON OFFICERS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated April 2010 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
*180306	Updated definition of "Developing Country". Better aligns the FMR definition of a "developing country" with that included in 22 U.S.C. 2431a and the World Bank's description of the term "developing economies"	Update
180502	The previously referenced paragraph of the Joint Federal Travel Regulation (JFTR) has been deleted. Information from the deleted JFTR paragraph is now incorporated directly into the FMR.	Update

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CHAPTER 12

SUPPORT FOR MILITARY OPERATION LIAISON OFFICERS

1801 PURPOSE AND APPLICABILITY

180101. Purpose

This guidance implements title 10, United States Code (U.S.C.), section 1051a, by assigning responsibilities for: (1) providing administrative services and support to all Military Operation Liaison Officers (MOLOs); (2) paying for command-directed travel by a MOLO; (3) paying travel, subsistence, and medical expenses of MOLOs from a developing country; (4) defining the purposes for which United States (U.S.) appropriations or other funds provided for this purpose may be expended; and (5) specifying the procedures for executing, managing, recording, and reporting such expenditures.

180102. Applicability

This guidance applies to all Headquarters (HQ) of Combatant Commands (COCOMs), component commands, and subordinate operational commands of the United States in connection with the planning for, or conduct of, a military operation. A requirement to comply with this guidance shall be incorporated into contracts, as appropriate. It covers the execution, management, recording, and reporting of expenditures of U.S. appropriations and other funds made available for the purpose of providing administrative services and support to all MOLOs; command-directed travel by a MOLO; and travel, subsistence, medical, and other personal expenses for a MOLO from a developing country in connection with the temporary assignment of that officer to a COCOM HQ, when that assignment is requested by the commander of the COCOM.

180103. MOLOs

All MOLOs may be provided administrative services and support.

180104. Joint Federal Travel Regulations Payments (JFTR)

Mission-related travel expenses of a MOLO may be paid or reimbursed in accordance with the JFTR. This applies only to travel that is in support of the national interests of the United States and the commander of the headquarters to which the MOLO is temporarily assigned directs round-trip travel from the assigned headquarters to one or more locations. In no case will the reimbursement to a MOLO exceed that authorized to U.S. military members.

180105. MOLO Expenses

The following expenses of a MOLO from a developing country may be paid in connection with the assignment of that officer to the HQ of a COCOM (not to a component

or subordinate operational command), if that assignment is at the request of the commander of the COCOM:

A. Travel and subsistence.

B. Personal expenses directly necessary to carry out the duties of the MOLO in connection with that assignment.

C. Medical care at a civilian medical facility if:

1. Adequate medical care is not available to the MOLO at the local military medical treatment facility;

2. The Secretary of Defense determines that payment of such medical care is necessary and in the best interest of the United States; and

3. Medical care is not otherwise available to the MOLO pursuant to any treaty or other international agreement.

1802 RESPONSIBILITIES

180201. Under Secretary of Defense (Comptroller)/ Chief Financial Officer (USD(C)/CFO)

The USD(C) shall establish and supervise the execution of financial procedures to be followed in connection with the provision of support to a MOLO from a developing country under paragraph 180105 above.

180202. The Chairman of the Joint Chiefs of Staff (CJCS)

The CJCS is responsible for transmitting Secretary of Defense-approved deployment and execute orders to the Combatant Commanders. Execute orders will include a funding paragraph outlining the financial responsibilities, as directed by the USD(C)/CFO and Under Secretary of Defense (Policy). Additionally, the CJCS will assist the Combatant Commanders in performing the following financial management functions: develop command resource requirements, determine source of funding and obligation authority including for any medical care for which a determination is made to provide non-reimbursable medical care at civilian medical facilities, account for the costs, coordinate to verify the availability of funds, and establish a management control process.

180203. Military Departments

The Military Departments are responsible for providing administrative and logistic support to the combatant command and subordinate joint command headquarters in accordance with ***DoD Directive 5100.03***, "Support of the Headquarters of Combatant and Subordinate Joint Commands," dated November 15, 1999; certified as current as of March 24, 2004. As such, the

Military Departments are responsible for programming, budgeting, and execution of expenses authorized by ***10 U.S.C. 1051a(b)***, as part of these functions for funding other operation and maintenance of the combatant command and subordinate joint command headquarters. The Military Departments are also responsible for recording and reporting all financial transactions resulting from execution of this authorization.

180204. Combatant Commanders

A. To the extent authorized by ***10 U.S.C. 1051a*** and consistent with this guidance, the Combatant Commander shall determine MOLO assignments, support and funding requirements, and coordinate international travel orders for the MOLO with sufficient detail on terms and instructions and shall ensure complete and accurate recording of all obligations and expenses. Combatant Commanders may provide the services and support authorized herein with or without reimbursement from (or on behalf of) the recipients.

B. The Combatant Commander is not required to extend support to MOLOs from a developing country. Commanders are expected to make the decision to offer support based on the strategic, tactical, operational, or political contribution that a potential participating nation contributes to the planning or conduct of military operations within the Combatant Commander's Area of Responsibility.

C. The Combatant Commander has the authority to rescind support for MOLO participation or presence within the command as deemed necessary to enhance mission accomplishment or due to changing mission requirements.

1803 DEFINITIONS

180301. Military Operation Liaison Officer

The term "Military Operation Liaison Officer" means a liaison officer of another nation involved in a military operation with the U.S. while the liaison officer is assigned temporarily to the headquarters of a combatant command, component command, or subordinate operational command of the U.S. in connection with the planning for, or conduct of, a military operation. Such term does not include foreign officers who are serving on combatant command, component command, or subordinate operational command staffs as exchange officers or who are present at the headquarters pursuant to a gift of services from a foreign country under 10 U.S.C. 2608.

180302. Administrative Services and Support

The term "Administrative Services and Support" includes base or installation support services, including commissary; exchange; and Morale, Welfare and Recreation services; office space; utilities, including official commercial communications support; copying services; fire and police protection; and computer support. National secure or specialized computer/communication systems will be the responsibility of the nation requiring such systems.

180303. Combatant Command

The term "Combatant Command" means a combatant command as defined in 10 U.S.C. 161 and established by the President in the Unified Command Plan.

180304. Component Command

The term "Component Command" means a command that consists of a commander and those forces of a military service assigned to a combatant command.

180305. Subordinate Operational Command

The term "Subordinate Operational Command" means a command established on an area or functional basis by a Combatant Commander to conduct operations.

* 180306. Developing Country

The term "Developing Country" means, as a matter of policy for purposes of implementing 10 U.S.C. 1051a, a country categorized as "Low Income," "Lower Middle Income," or "Upper Middle Income" by the World Bank in its List of Economies which is updated each year on July 1 based on estimates of gross national income (GNI) per capita for the previous year. In order to be considered a "developing country," a country must be listed in one of these categories at the time the support is provided. In order to allow for an orderly transition, a country whose economic status is upgraded to "High Income" by the World Bank in its annual List of Economies will retain "developing country" status for a period of one year following publication of the annual list. Regardless of a country's World Bank classification, a country that is a member of the European Union or North Atlantic Treaty Organization (NATO) does not qualify as a "developing country." A territory or possession has the status of the country to which it belongs.

1804 PROCEDURES

180401. Need Determination and Request

The Combatant Commander determines the number of MOLOs needed for temporary assignment to the HQ of the COCOM or any of its component or subordinate operational commands. Based on need, the Combatant Commander determines the funding requirement and appropriate allocation of funding among administrative services and support, travel, subsistence, medical, and other personal expenses to be paid for MOLOs.

180402. Temporary Duty (TDY)

The Combatant Commander must coordinate travel orders for a foreign MOLO receiving travel and subsistence support under ***10 U.S.C. 1051a***, paragraph (b), with the United States Embassy, Defense Attaché Office, of the country from which the MOLO is being requested (ref. Appendix A example). The Combatant Commander must ensure TDY

orders contain sufficient detail explaining the terms of the temporary assignment, that additional clarifying instructions are supplied to the Defense Attaché Office, and that the TDY orders are briefed to the MOLO prior to his or her acceptance of the temporary assignment.

NOTE: ***10 U.S.C. 1051a*** does not authorize any level of support, including medical/dental care, to dependents/family members MOLOs elect to bring with them. Dependents/family members are not authorized to accompany MOLOs at United States Government (USG) expense.

180403. Payments to Coalition Liaison Officers

The Combatant Commander should utilize direct deposit as the preferred practice for disbursing payments and reimbursements to MOLOs, and must ensure initial, subsequent advances and final payments are available to MOLOs at the appropriate times (Appendix A). Foreign military are not authorized access to the Government Travel Charge Card.

180404. Arrival and Departure Procedure Checklists

The Combatant Commander should establish arrival and departure checklists to help ensure pay and other authorized benefits are available to MOLOs upon arrival (Appendix B) and are terminated upon departure (Appendix C).

180405. Expense Recording and Reporting Requirements

The Combatant Commander must ensure complete and accurate recording of all expenses of providing administrative services and support, subsistence, medical, and other personal expenses to MOLOs (Appendix D). Combatant Commanders must ensure that all related expenses are reported within established timeframes.

180406. Proper Usage of Funds

Appropriated funds made available for the purpose of providing administrative services and support to a MOLO, and travel, subsistence, medical, and other personal expenses to a MOLO from a developing country, shall not be used for the following purposes:

A. Direct or indirect benefit to persons other than MOLOs, including direct or indirect benefit to a MOLOs dependents or family members.

B. Expenses other than those for providing administrative services and support to MOLOs, and travel, subsistence, medical, and other personal expenses to MOLOs of a developing country.

180407. Allocation of Funds

Military Departments shall ensure that DoD appropriations and other funds available for providing administrative services and support, travel, subsistence, medical, and other personal expenses to MOLOs are properly allocated to the Combatant Commander for funds control and execution. Combatant Commanders will notify Military Departments of the appropriate inter-theater allocation.

180408. Delivery, Transporting and Safeguarding of Funds

Any funds made available for providing administrative services and support, travel, subsistence, medical, and other personal expenses to MOLOs shall be delivered, transported, and safeguarded consistent with Volume 5, Chapter 3, of this Regulation.

180409. Appointment of Paying Agents

Paying agents responsible for making disbursements of funds for providing administrative services and support, travel, subsistence, medical, and other personal expenses to MOLOs shall be appointed consistent with Volume 5, Chapter 2 of this Regulation.

180410. Documentation of Payments

Payments for the purpose of providing administrative services and support, travel, subsistence, medical, and other personal expenses to MOLOs shall be made and documented consistent with Volume 5, Chapter 11, and Volume 10, Chapter 8.

180411. Contracts

U.S. appropriations and other funds made available for providing administrative services and support, travel, subsistence, medical, and other personal expenses to MOLOs may be obligated through contracts that are prepared and executed in accordance with applicable U.S. laws and regulations.

180412. Clearance of Accounts

Accounts of paying agents maintained for the purpose of providing administrative services and support, travel, subsistence, medical, and other personal expenses to MOLOs shall be cleared consistent with Volume 5, Chapters 3 and 19.

180413. Certification of Payments

Payments made for the purpose of providing administrative services and support, travel, subsistence, medical, and other personal expenses to MOLOs shall be certified in a manner consistent with Volume 5, Chapter 33, of this Regulation.

180414. Audits and Program Reviews

The administration of all payments for the purpose of providing administrative services and support, travel, subsistence, medical, and other personnel to MOLOs will be subject to periodic audits by DoD's internal review and audit organizations, including the DoD Inspector General and the Army Audit Agency. Additionally, external organizations such as the Government Accountability Office and congressional oversight committees may arrange for access to information under procedures set forth in DoDI 7650.01, or other applicable policy. All officials responsible for administering this program shall cooperate fully with any review, audit, or investigation conducted by such organizations.

1805 ALLOWANCES

180501. Administrative Support, Office Space and Supplies

MOLOs should receive office space, phone service, supplies, and administrative support commensurate with equivalent U.S. military office spaces.

180502. Travel and Transportation

A. Travel and Transportation allowances paid for MOLOs of a developing country are authorized by ***10 U.S.C. 1051a***. Due to safety and logistical issues, Combatant Commanders may elect to complete the final travel settlement voucher prior to the MOLO's final departure. Combatant Commanders will ensure that the MOLO has settled his/her travel account and that the total amount reflected on the final travel settlement voucher is for the airline ticket (if applicable), meals and reasonable incidental expenses for the last day in a travel status. If the Combatant Commander decides not to take this option, MOLOs will be required to request reimbursement for per diem related to the return trip to home station in accordance with Volume 9, Chapter 8, paragraph 080501. Transportation costs will be limited to one round-trip (i.e., from the MOLO's country of origin to the COCOM HQ and then back the MOLO's country of origin) ticket per MOLO. Further, when the tour length of temporary duty is less than 120 days, the country of origin will be responsible for transportation costs, unless the reason for the shortened tour length is the end of the military operation. Vehicles will be limited to economy class at the rate of one vehicle per every four MOLOs from each country. Reimbursement for family members' travel and transportation is not authorized.

B. Round-trip commercial transportation expenses (no per diem or mileage) for MOLOs of a developing country may be authorized for a MOLO if the Combatant Commander directs round-trip travel from the assigned headquarters to one or more locations for medical care at a non-military facility only when the conditions at paragraph 180105C are met.

C. Travel and Transportation allowance paid for mission-related travel of MOLOs are authorized in Volume 9, Chapter 1 and may not, in the case of any individual, exceed the amount that would be paid to a member of the U.S. armed forces (of a comparable grade) for authorized travel of a similar nature.

180503. Legal Assistance

Other than those that may be provided for in relevant international agreements, benefits of legal assistance will not be provided to MOLOs. Any legal costs resulting from actions of the MOLO or the MOLO's dependents are the responsibility of the MOLO. Legal infractions can be grounds for returning the MOLOs to their countries of origin. If a MOLO is sent home because of legal problems, the cost of that return flight would be the responsibility of the MOLO or MOLO's government.

180504. Medical Care

Local on-installation Military Medical Treatment Facilities (MTFs) may be utilized for routine medical care of the MOLO to the capabilities of the installation MTF. For purposes of this regulation, routine medical care is defined as primary care which includes general medical office visits for the treatment of symptoms, chronic or acute illness and diseases and follow-up care for an ongoing medical condition. Routine care also includes preventive care measures to help keep an individual healthy. MOLOs may also receive emergency or resuscitative care at the installation MTF if those services/capabilities are available.

A**.** Emergency medical care is defined as a situation that requires immediate intervention to prevent loss of life, limb, sight, or body tissue to prevent undue suffering. Resuscitative care is defined as advanced emergency medical treatment required to prevent immediate loss of life, limb, or eyesight and to attain stabilization.

B**.** If the level of injury/illness and required treatment exceeds the capability of the installation MTF, or the severity and immediacy of injury/illness requires, MOLOs may, with MTF approval, be referred to an appropriate local civilian medical/dental care facility. If emergent medical/dental care is not otherwise available to the MOLO pursuant to a treaty or other international agreement, treatment will be obtained at an off installation civilian medical/dental care facility at MOLO's expense.

C. Primary care that may be provided to MOLOs includes outpatient services; pharmaceutical support, dental services and other medical support as determined by appropriate military authorities based on recommendations by the command surgeon and existing capabilities of the installation MTF.

D. A MOLO must be medically screened by both the MOLO's country and the COCOM surgeon to identify any limiting factors. A MOLO must meet the same "world-wide qualified" criteria as U.S. forces before temporary assignment to a COCOM HQ.

E**.** Inpatient and Long-Term Care Will Not be Provided to MOLOs**.** Long-term care, commonly referred to as "custodial care," refers to a variety of services that help a person with comfort, personal, or wellness needs which assists an individual with the activities of daily living, including such things as bathing and dressing.

F. Medical and dental care is not authorized for and will not be provided to MOLOs' dependents/family under this regulation.

G. The above polices on MOLO and dependent/family medical/dental care remain in effect unless otherwise addressed by current Reciprocal Health Care Agreements or other relevant international agreements.

180505. Mortuary Affairs

The remains of MOLOs who die while temporarily assigned to the HQ of a COCOM, component command, or any of its subordinate operational commands may be prepared for transportation and transported at U.S. Government expense. The HQ funding the temporary assignment of the MOLO shall be responsible for paying such expenses. Expenses for any additional services that may be requested by the sending country must be reimbursed by that country under an Acquisition and Cross-Servicing Agreement, other relevant international agreement, or Foreign Military Sales case.

1806 REPORTS AND NOTIFICATIONS

180601. Report Due Dates

Not later than the 15th day of each month, the Executive Agents designated by the Secretaries of the Military Departments to provide or arrange for the administrative and logistic support of COCOMs and subordinate joint commands ***(DoD Directive 5100.03)*** shall establish Emergency and Special Program (ESP) codes and Reimbursable Cost Codes (RCC) to identify MOLO support funding program expenditures and submit to the USD(C), a Status Report as of the last day of the preceding month. The Military Department will provide a copy of the report to the Joint Staff, J8. The Status Report shall contain the following information by category:

A. Foreign military operation unit.

B. Number of MOLOs.

C. Payment date.

D. The amount committed, obligated and disbursed within each cost center, for each country's military operation unit.

NOTE: This reporting requirement applies only to appropriation-funded provision of administrative services and support, travel, subsistence, medical, and other personal expenses to MOLOs, under the scope of this guidance, and is in addition to the separate monthly requirement to report cumulative totals allocated, committed, obligated, and disbursed for this program. See Appendix D, for report format requirements.

180602. Legal Restrictions

COCOMs shall promptly notify the USD(C) and the DoD General Counsel of any provisions of law that (if not waived) would prohibit, restrict, limit, or otherwise constrain the exercise of the authority provided by ***10 U.S.C. 1051a***.

1807 EFFECTIVE PERIOD AND WAIVERS

180701. Effective Date of Guidance

This guidance shall become effective immediately.

180702. Submission of Waivers

Where authorized, requests for waivers or exceptions to any provision of law that would (but for the waiver) prohibit, restrict, limit or otherwise constrain the execution of providing administrative services and support, travel, subsistence, medical, and other personal expenses to MOLOs must be submitted through the USD(C) and DoD General Counsel to the Secretary of Defense for approval.

180703. Requests for waivers

Requests for waivers or exceptions to this guidance must be submitted to the USD(C) for approval.

INVITATIONAL TRAVEL ORDER
(For MOLO from Developing Countries) OPERATION:
TRAVEL ORDER No._____

NAME AND RANK: (as it appears on VISA)

1. PURPOSE. Proceed from (**city and country of origin**) to HQ US COMBATANT COMMAND, for the purpose of performing as a Staff Officer in HQ US COMBATANT COMMAND Coalition Planning Group.

2. ITINERARY. Depart (**origin)** on (**date**). Arrive HQ US COMBATANT COMMAND on (**Date**). Depart HQ US COMBATANT COMMAND on (**date**). Arrive (**origin**) on (**date**), Originating commercial air travel arranged by US Embassy. Return Travel arranged by HQ US COMBATANT COMMAND if one way tickets were purchased by US Embassy. First Class or Business Class travel is not authorized. Any deviation in travel arrangements will be at the MOLO's expense. If scheduled tour-length is less than 120 days, travel expense will be paid by country of origin.

3. LODGING. Lodging for the MOLO will be provided by HQ US COMBATANT COMMAND. MOLO will be responsible for damages that exceed normal wear and tear. MOLO will be authorized access to all HQ US COMBATANT COMMAND amenities while assigned, including the Commissary, Exchange, and other retail and recreational facilities**.**

4. PER DIEM. Per diem (M&IE), if applicable, will be paid at the appropriate rate in monthly increments beginning upon arrival.

5. LOCAL AREA TRANSPORTATION. Government supplied vehicles will be provided for **official local area transportation only.** Government supplied transportation is **not authorized for travel while on non-official, or non-local area travel, or while on leave.** Such travel is at MOLO's expense. The MOLO, not the United States Government, is responsible for damages or injuries due to MOLO's negligence and traffic fines imposed for traffic violations. HQ US COMBATANT COMMAND has the right to withdraw vehicle use for negligent operation or misuse. International driver's license is required. Civilians and dependents are not allowed to drive HQ US COMBATANT COMMAND provided vehicles. Vehicles will be limited to one per every four officers from each country.

6. LEGAL ASSISTANCE. Other than those provided for in relevant international agreements, benefits of legal assistance will not be provided to MOLOs. Any legal costs resulting from actions of the MOLO or the MOLO's dependents are the responsibility of the MOLO. Legal infractions can be grounds for returning the MOLOs to their country of origin. If a MOLO is sent home because of legal problems, the cost of that return flight is the responsibility of the MOLO.

7. DEPENDENTS. Dependents are not authorized at government expense. Excess baggage is authorized to a maximum of five (5) checked bags, not to exceed 70 pounds each.

8. MEDICAL CARE. Local installation Military Medical Treatment Facilities (MTFs) may be utilized for routine medical care for the MOLO to the capabilities of the installation MTF. For

purposes of this regulation, routine medical care is defined as primary care which includes general medical office visits for the treatment of symptoms, chronic or acute illness and diseases and follow-up care for an ongoing medical condition. Routine care also includes preventive care measures to help keep an individual healthy. MOLO may also receive emergency or resuscitative care at the installation MTF if those services/capabilities are available.

A. Emergency medical care is defined as a situation that requires immediate intervention to prevent loss of life, limb, sight, or body tissue to prevent undue suffering. Resuscitative care is defined as advanced emergency medical treatment required to prevent immediate loss of life, limb, or eyesight and to attain stabilization.

B. If the level of injury/illness and required treatment exceeds the capability of the on installation MTF, or severity and immediacy of injury/illness requires, MOLOs may, with MTF approval, be referred to an appropriate local civilian medical/dental care facility. If emergent medical/dental care is not otherwise available to the MOLO pursuant to any treaty or other international agreement, treatment will be obtained at an off installation civilian medical/dental care facility.

C. Payment of all costs for off-installation civilian medical/dental care will be the responsibility of the MOLO or the MOLO's country, unless the U.S. Secretary of Defense specifically approves payment of such costs by the HQ US COMBATANT COMMAND.

D**.** Primary care that may be provided to MOLOs includes outpatient services; non-emergency evacuation; pharmaceutical support, dental services and other medical support as determined by appropriate military authorities based on recommendations by the command surgeon and existing capabilities of the installation MTF.

E. A MOLO must be medically screened by both the MOLO's country and the COCOM surgeon to identify any limiting factors. A MOLO must meet the same "world-wide qualified" criteria as U.S. forces before temporary assignment to a COCOM staff.

F. Long-term care, commonly referred to as "custodial care", refers to a variety of services that help a person with comfort, personal, or wellness needs which assists an individual with the activities of daily living, including such things as bathing and dressing.

G**.** Medical and dental care is not authorized and will not be provided to liaison officers' dependents/family.

H**.** The above polices on MOLO and dependent/family medical/dental care remain in effect unless otherwise addressed by a Reciprocal Health Care Agreement or other relevant international agreement.

9- ACCOUNTING DATA: 575340(1. 305 51HQ 1115C3 04 409 ESPY ZA 525700 PSR:C24026 FSR: 075269 Airfare $XXXX.XXX (**EXAMPLE FUND CITATION**)

SIGNATURE BLOCK

MOLO PAY AND ADVANCES

FACSIMILE TRANSMITTAL SHEET

TO: **MILITARY TRAVEL PAY** FROM: **Combatant Command/RM**

FAX NUMBER: DATE:

ATTENTION: TOTAL NO. OF PAGES INCLUDING COVER:

PHONE NUMBER: SENDER'S PHONE NUMBER:

RE: **PER DIEM ADVANCES** ATTENTION:

☐ URGENT ☐ FOR ACTION ☐ PLEASE COMMENT ☐ PLEASE REPLY ☐ PLEASE RECYCLE

This document authorizes the following: ☐ **Initial** ☐ **Advance** ☐ **Final per diem** payments to be issued via cash (Initial only) or Direct Deposit for the month of MM YYYY. For advance thirty (30) days Per Diem (food and incidentals only) at 100 percent. Their Direct Deposit forms are on file. Include the amount indicated in the "Fuel" column for government procured vehicle fuel reimbursement and other reimbursable expenses. Vehicles will be limited to one per every four officers from each country.

Special Instructions: Please pay 80 percent of per diem due during initial pay period. Include amount in “fuel” column for government procured vehicle fuel reimbursement and other reimbursable expenses (e.g., oil change).

MOLO	Rank	ID	Fuel
Country 1:			
Military Liaison Officer 1	COL	111-11-1111	$70
Military Liaison Officer 2	MAJ	222-22-2222	
Military Liaison Officer 3	CPT	333-33-333	
Country 2:			
Military Liaison Officer 1	LTC	444-44-4444	$70
Country 3:			
Military Liaison Officer 1	LTC	555-55-5555	$70
Military Liaison Officer 2	LTC	666-66-6666	
Military Liaison Officer 3	CPT	777-77-7777	$70
Military Liaison Officer 4	COL	888-88-8888	

Please ensure payment is made from: 5753400 305 51HQ 11J5CC 04 409 525700 F25700 ESP: 7C FS& 075269 PSR: C24031 (**Example Fund Citation**)

Please schedule a CASH payment (initial only) for **DD/MM/YY** at **HH/MM**

V/R **Command/RM**

APPENDIX B: New Arrival Checklist

NEW ARRIVAL CHECKLIST

_____
DATE

1. Copy of:

a. Invitation Travel Order (ITO). Country:_____

(1) Add SSN to ITO _____

(2) Check fund cite codes _____

(3) Estimate per diem amount _____

b. Security Clearance _____

c. Passport:

(1) Visa _____

(*a*) Expiration date: _____

(*b*) Takes a minimum of 30 days to get Visa revalidated.

(2) I-94 Card _____

(*a*) A-2 status: Military member on orders.

(*b*) DS: Duration of Service, as long as member is on orders, in country, Visa remains valid. If member leaves country will not be readmitted.

f. Airline Ticket: _____

(1) Length of stay: _____

(2) Type of ticket: one-way open end rd trip

g. Direct Deposit Form _____

2. Fax ITO to ALO for certification _____

3. Fax ITO, Direct Deposit Form and initial per diem request info to Military Travel Pay. _____

a. If member arrives prior to the 15th of the month, initial per diem will be for 80% of the remainder of the month. (judgment call)

b. If member arrives after the 15th of the month, initial per diem will be for 80% of the remainder of that month and the following month.

c. 100% for the remaining months.

d. Authorized excess baggage?

5. Update spreadsheet information: _____

a. Name: _____
AS SHOWN ON PASSPORT

b. Rank: _____

c. SSN: _____

d. ITO

e. Arrival / Departure dates

f. Est. per diem

g. Lodging info

h. Assigned vehicle

6. Add to monthly per diem authorization for subsequent months _____

authorized vehicle allowance?

DEPARTURE CHECKLIST

Date

1. **Notify/reminds HQ, Combatant Command of departure three (3) weeks prior.** _____

2. **HQ, Combatant Command confirm/arrange airline travel .** _____

3. **HQ, Combatant Command, schedules final pay settlement with installation Military Travel Pay.** _____

4. **Three days prior to departure:**

   Pick-up airline ticket _____

   Settle travel pay account _____

5. **Day of Departure**

   Recover and turn-in ID Cards/Security Badges _____

   Terminate I/T network access _____

   Transport MOLO to airport. _____

APPENDIX D: Foreign Country Military Operation Liaison Officer Support

FOREIGN COUNTRY
MILITARY OPERATION LIAISON OFFICER SUPPORT
FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)
Name of Military Operation:
DoD Component and Combatant Command:

General Guidance: A separate exhibit should be prepared for (1) each Military operation, (2) a summary exhibit for each region, and (3) a total exhibit for each Component. Each Component will include in its submission the incremental costs for coalition officer support.

I. Description of Operations Financed: Provide a narrative explanation characterizing the mission of this particular military operation.

II. Force Structure Summary: Identify in tabular form by operation, Combatant Command, the number of military liaison officers, by country, who received administrative service and support during the prior year, current year, and for the budget year(s).

	FY PY Actuals	Budget Request	FY CY Program Program Changes	FY CY Estimate	FY BY Estimate	FY BY+1 Estimate
1. Name of Operation						
2. Combatant Command						
3. Number of Military Liaison Officers						
4. Country						

III. Financial Summary ($ in Thousands): Report administrative service and support costs below.

A. Military Operation Liaison Officer Support Total

Cost Category	FY PY Actuals	Budget Request	FY CY Program Program Changes	FY CY Estimate	FY BY Estimate	FY BY+1 Estimate
1. Administrative Services						
a. Office Space						
b. Office Utilities						
c. Copy Services						
d. Fire & Police Protection						
e. Computer Support						
2. Travel, Subsistence, and Medical Care						
a. Meals						
b. Housing and utilities						
c. Rental Vehicles						
d. Medical Care						

FOREIGN COUNTRY
MILITARY OPERATION LIAISON OFFICER SUPPORT (cont'd)

B. Prior Year Reconciliation Summary: FY PY to FY PY Changes

Military Personnel Operation & Maintenance Other
(Specify as Appropriate)
1. Direct Appropriation to Component
2. Change
3. Actual Cost

This exhibit must be submitted in both hard copy and electronic copy (i.e., Microsoft Word).
Note: Actual cost data should reflect MOLO Support data as reported to the Defense Finance and Accounting Service (DFAS)

Table 1: Fiscal Year 2002 through Fiscal Year 2005 Costs by Type of Support Provided to Military Operation Liaison Officers

Types of support	Fiscal year 2002	Fiscal year 2003	Fiscal year 2004	Fiscal year 2005
Administrative support				
Infrastructure improvements	$232,900	$1,405,600		
Trailer leases	490,600	1,000,400		
Furniture	300,000	155,000		
Command, control, communication, computer, intelligence equipment[a]	4,972,698	5,038,779		
Command, control, communication, computer, intelligence support[b]	4,061,366	5,400,000		
Force protection	793,000	956,000		
Utilities	207,000	519,000		
Miscellaneous one-time costs	136,500	0		
Subtotal	$11,194,064	$14,474,779		
Personal expenses				
Travel	$480,000	$1,363,000		
Housing				
Rental vehicles	734,000	1,219,000		
Subtotal	$1,214,000	$2,582,000		
Total	**$12,408,064**	**$17,056,779**		
Number of Trailor Leases				
Number of Rental Vehicles				

[a] Includes items such as computers, local area networks, servers, and audio-visual dissemination systems.

[b] Includes maintenance, technical support, and repair on equipment.

MILITARY OPERATION LIAISON OFFICER SUPPORT

VOLUME 12, CHAPTER 19: "FOOD SERVICE PROGRAM"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated May 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Entire Chapter	The Chapter is certified as current. No policy changes were made.	Update

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CHAPTER 19

FOOD SERVICE PROGRAM

1901 OVERVIEW

190101. Purpose

This chapter prescribes financial management policy and procedures for the Department of Defense (DoD) Food Service Program.

190102. General

A. ***Title 37, United States Code (U.S.C.), section 1011***, generally requires the Department to collect the full cost of meals eaten in an appropriated facility. The provisions of this chapter shall be used to determine specific meal charges for all classes of diners, to include individuals, groups and units.

B. This chapter also prescribes that the Under Secretary of Defense (Comptroller) (USD(C)) annually shall establish rates for the meals to be consumed at appropriated dining facilities. ***See Tab G – "Food Service Charges at Appropriated Fund Dining Facilities and the Military Academies."***

C. The format and reporting requirements for the "DoD Food Service Operating Expense Report" are contained in *DoD Financial Management Regulation*, Volume 11A, "Reimbursable Operations, Policy and Procedures," Chapter 6, "Annual Reimbursable Rates," Appendix F.

190103. Applicability

This chapter is applicable to all DoD activities and shall be used DoD-wide. The Office of the USD(C) is responsible for the financial management policies herein. The Defense Finance and Accounting Service is responsible for applicable procedures necessary to assist the DoD Components in implementing these policies. The financial management policies and procedures herein shall not be supplemented by DoD Component issuances without the prior written approval of the USD(C).

1902 REIMBURSABLE MEAL AND MEAL SERVICE (OPERATING) CHARGES

190201. Meal Rates

The provisions of this chapter shall be used to determine use of the DoD discount meal rate (the cost of the food only) or the DoD standard meal rate (the cost of both the food and the non-training/readiness food service operating expenses).

190202. Meal Services Available

There are two types of meal service available to personnel authorized to use an appropriated dining facility on a reimbursable basis--traditional and a la carte.

A. Traditional Meal Service. Under the traditional meal service system, diners shall pay either the DoD standard meal rate or the DoD discount meal rate (as prescribed by section 1903), without regard to the menu items taken.

B. A la carte Meal Service. Under the a la carte meal service system, diners shall pay either the DoD standard meal rate or the DoD discount meal rate (as prescribed by section 1903), for the food items selected.

1. The Military Departments shall ensure that a consistent and fair a la carte pricing policy is applied uniformly and consistent with guidance provided by the USD(C).

2. Generally, each food item shall be priced at actual cost (or rounded to the nearest five cents). However, price averaging of certain salads, vegetables, and other food categories is authorized (e.g., a salad bar with different types of salads or vegetables).

3. When the cost of food changes, the a la carte items shall be repriced accordingly.

190203. Rates Determination

Rates prescribed herein are applicable to meals furnished by a Military Department to military active duty personnel, Reserve personnel who are paid from Reserve or National Guard appropriations, federal civilian employees, military retirees, dependents of military personnel, and any other authorized diners.

190204. Authority for Standard Meal Rate

Title 37, U.S.C., section 1011, generally requires the Department to charge the standard meal rate for meals eaten in an appropriated facility. However, there are some exceptions as indicated in section 1903.

1903 MEAL CHARGES

Reimbursement charges for persons authorized to eat in an appropriated dining facility vary depending on the status of each person. The five major categories of personnel are officers, enlisted personnel, military dependents, Federal civilian employees and others.

190301. Officers

A. Charge Required. DoD military officers are not authorized to eat in appropriated dining facilities without charge.

B. Discount Meal Rate. Officers, when not receiving the meal portion of per diem, shall be charged the discount meal rate when they are:

1. Performing duty on a U.S. Government vessel,

2. On field duty,

3. In a group travel status,

4. Included in essential unit messing (EUM) as defined in the ***Joint Federal Travel Regulations (JFTR), Volume 1***,

5. On a U.S. Government aircraft on official duty either as a passenger or as a crew member engaged in flight operations, or

6. On Joint Task Force (JTF) operations other than training at temporary U.S. installations, or using temporary appropriated dining facilities.

C. Standard Meal Rate. Officers shall be charged the standard meal rate when in any status other than that set forth in subparagraph 190301.B.

190302. Enlisted Personnel

A. Conditions for Charge. Enlisted personnel may eat in an appropriated dining facility without charge when not receiving either an allowance for subsistence or the meal portion of per diem. Enlisted personnel entitled to meals at government expense shall be furnished such meals on a nonreimbursable basis without regard to unit or DoD Component affiliation. Reimbursement between the Military Departments for such meals is not authorized for active duty personnel and members of the Reserve Components.

B. Discount Meal Rate. Enlisted personnel when not receiving the meal portion of per diem, shall be charged the discount meal rate when they are:

1. On a U.S. Government aircraft on official duty either as a passenger or as a crew member engaged in flight operations, or

2. On JTF operations other than training at temporary U.S. installations or using temporary appropriated dining facilities.

Note: Enlisted members are not entitled to the meal portion of per diem, nor a monetary allowance for subsistence, when on field duty, sea duty, group travel, or essential unit messing. Therefore, meals should be furnished at no cost to those enlisted members and, as a result, there is no reimbursable rate for enlisted members when on field duty, sea duty, group travel, or essential unit messing. (Title 37 U.S.C., sections ***402*** and ***474***, and ***Executive Order 11157***)

C. Standard Meal Rate. Enlisted personnel shall be charged the standard meal rate when they are receiving the meal portion of per diem or when they are receiving an allowance for subsistence.

190303. Military Dependents

A. Charge Required. Military dependents are not authorized to eat in appropriated dining facilities without charge.

B. Discount Meal Rate. Military dependents shall be charged the discount meal rate when they are dependents of enlisted members in pay grades E-1 through E-4.

C. Standard Meal Rate. All military dependents, other than military dependents of enlisted members in pay grades E-1 through E-4, shall be charged the standard meal rate.

190304. Federal Civilian Employees

A. Charge Required. Federal civilian employees are not authorized to eat in appropriated dining facilities without charge.

B. Discount Meal Rate. Federal civilian employees, not receiving the meal portion of per diem, shall be charged the discount meal rate when they are:

1. Performing duty on a U.S. Government vessel,

2. On field duty,

3. In a group travel status,

4. Included in EUM as defined in the ***JFTR, Volume 1***,

5. On a U.S. Government aircraft on official duty either as a passenger or as a crew member engaged in flight operations, or

6. On JTF operations other than training at temporary U.S. installations, or using temporary appropriated dining facilities.

C. Standard Meal Rate. Federal civilian employees shall be charged the standard meal rate when in any status other than those set forth in subparagraph 190304.B.

190305. Members of Youth Groups

This category consists of members of organized nonprofit youth groups sponsored at the national or local level and ad hoc groups of youths. The distinction between the two groups is that an organized youth group has continuity over time and a structure (such as officers, advisors, organization rules); while an ad hoc group does not. For example: A local high school Key Club, which may be sponsored by the Kiwanis Club, would qualify as an organized nonprofit youth group. On the other hand, if the children of a local Kiwanis Club's members visited an installation, they would be considered to be an ad hoc group because they are not a formally organized and structured youth group.

A. Charge Required. These individuals are not authorized to eat in appropriated dining facilities without charge.

B. Discount Meal Rate. Members of an organized nonprofit youth group sponsored at either the national or local level shall be charged the discount meal rate, when extended the privilege of visiting a military installation, or when residing at a military installation and permitted to eat in the general mess by the commanding officer of the installation (***Title 37, U.S.C., section 1011(b)***).

C. Standard Meal Rate. All other youth group individuals (members of ad hoc youth groups) shall be charged the standard meal rate.

190306. Others

This category includes: (1) military retirees and their dependents, (2) government contractors in overseas contingency operations, (in accordance with the ***Defense Federal Acquisition Regulation, Procedure, Guidance, and Information 225.7401***) and (3) all other individuals not included in paragraphs 190301 through 190305.

A. Charge Required. These individuals are not authorized to eat in appropriated dining facilities without charge.

B. Standard Meal Rate. These (all other) individuals shall be charged the standard meal rate.

1904 GENERAL PROVISIONS

190401. Personnel, Other Than Enlisted Personnel

Personnel, other than enlisted personnel, may receive a meal from an appropriated dining facility, provided no increase in direct resources results from feeding such personnel and appropriate meal charges are collected consistent with paragraph 190305.

190402. Commanding Officer Responsibility

The commanding officer of the DoD installation, at which an appropriated dining facility is located, is responsible for assuring that meals are provided only to authorized personnel within the capabilities and availability of existing appropriated dining facilities.

190403. Temporary Duty Orders

Temporary duty orders shall indicate the food allowance/per diem status of travelers to assist in determining the appropriate meal charge to be assessed.

190404. Service Academies

Service academies (i.e., Army, Navy, and Air Force) are to use the food service charges at the military academies published annually by the USD(C). See Chapter 20.

190405. Civilian and Military Personnel of a Foreign Government

Civilian and military personnel of a foreign government shall be furnished meals in accordance with specific arrangements made between the U.S. Government and the foreign government. Charges for food costs and related food service operating expenses shall be made on the same basis as they would be for U.S. Government personnel of equal rank.

1905 DISPOSITION OF FUNDS

190501. Overview

Each Military Service shall budget and account for all meals furnished by its appropriated fund activities.

190502. Recording Policy

Program obligations and expenditures, as well as revenues and food service operating expenses, shall be recorded, accumulated, and controlled in accordance with Volume 11A, Chapter 1, "General Reimbursement Procedures and Supporting Documentation."

190503. Collections

A. Except when deductions from pay are authorized and have been provided for, or prior arrangements for payment have been established with an official of an authorized group, diners shall pay for a meal in cash prior to the meal being served. In any event, all meal charges must be determined and posted not later than the last day of the month incurred with payment being made not later than the 15th of the following month.

B. Any losses that might be incurred from uncollectible accounts must be absorbed by the subsistence account funding the facility.

190504. Discounted and Standard Meal Rate Distribution

Collections shall be distributed as follows:

A. Discount Meal Rate. Collections received from patrons paying the discount meal rate (food costs only) shall be credited to the applicable financing subsistence account of the Military Service.

B. Standard Meal Rate. Collections received from patrons paying the standard meal rate shall be credited to the financing appropriation(s). The food cost portion shall be credited to the subsistence account and the operating expense portion (difference between discount and standard meal rates) to the operations and maintenance or other financing account(s).

1906 ACCOUNTING FOR FOOD ALLOWANCES

190601. Information Requirements

A. Information requirements have been established to ensure that data are maintained and that information is reported for use in determining and administering food allowances. These requirements prescribe procedures for counting meals furnished to personnel in appropriated dining facilities under the daily food allowance and authorized reimbursable programs. They are designed to assist in monitoring food costs and allowances and making the accumulation of data more consistent throughout the Department under the Food Service Program established by ***DoD 1338.10-M***, "Manual for the Department of Defense Food Service."

B. The recording and reporting of obligations/expenditures against the daily food allowance portion of the operations and maintenance appropriations are as set forth in Volume 2, "Budget Formulation," and Volume 3, "Budget Execution."

C. The data reported must support budget requests based on furnishing meals to entitled enlisted personnel by each Military Service, after consideration of the absentee rate, without regard to the member's parent Military Service.

190602. Counting the Number of Persons' Furnished Meals

A. Except for mass feeding situations as set forth in subparagraphs 190602.B.1 and B.2, all personnel authorized to eat in appropriated dining facilities shall identify themselves with a meal card, DoD Common Access card, or travel orders issued by a DoD Component before receiving a meal from an appropriated dining facility. Enlisted personnel on BAS or receiving the meal portion of per diem, as well as all officers, civilian employees, official visitors, dependents, and guests authorized to eat on a reimbursable basis, shall be required to identify themselves as to the category of entitlement (authorized to eat on a reimbursable basis) and status (per diem or non-per diem) and reimburse DoD at the appropriate meal rate before receiving a meal from an appropriated dining facility.

B. The following procedures shall be used to account for meals served to authorized subsistence-in-kind entitled or cross Service reimbursable personnel.

1. Each appropriated dining facility shall maintain usage data in an electronic management information system or other log in which each diner's unit of assignment and identification, travel order number, or other authorizing document are recorded. The applicable identification number may include, for example, the diner's meal card or social security number. When reimbursement is required, the rate category shall be recorded in the log. A person independent of the appropriated dining facility operation shall complete the log. When mass feeding within a specified time period is required, such as at recruit (basic) training centers and special schools, a single person responsible for the group may certify the entitlement classification and/or the reimbursement rate for all diners in the group.

a. Record of daily usage shall be used by the appropriated dining facility in preparing necessary reports.

b. The meal card control officer or the personnel manager of the installation shall use the usage records to conduct local management reviews and perform periodic tests of meal card usage, entitlement and reimbursement rates. The responsible official shall retain all records and test results in accordance with approved disposition schedules.

2. As an alternative to the procedures in subparagraphs 190602.A and B, each diner shall sign an appropriate signature record, including authorization category, for each meal received. These records shall be reviewed at the local command level and retained until verified independently against the reports submitted for the appropriated dining facility.

3. Installation commanders are authorized to impose more stringent requirements at their discretion.

4. DoD Common Access Card, other SMART card technology, or other headcount procedures approved by the Secretary of a Military Department may be utilized for diner identification/authorization, as long as the integrity of the count is maintained.

C. The total count of each meal shall be classified and recorded by the diner's category of entitlement and by type of food allowance, i.e., basic daily food allowance (BDFA), special food allowance, and supplemental food allowance.

D. During combat or other operational conditions (e.g., mass troop movements, maneuvers or field exercises when actually subsisted under field conditions, forces afloat, and emergency conditions resulting from catastrophes or civil disorders), when maintenance of a meal log or signature record is not practicable, an internal control system shall be established to maintain the integrity of the headcount.

E. Each appropriated dining facility shall number, serially, the daily log forms and signature records, which shall include the following minimum requirements:

1. Identification of the appropriated dining facility and date.

2. Identification of the number of meals.

3. Signatures of the person maintaining the log, and of the officer in charge.

4. Diner's unit of assignment, identification number, or travel order number or other authorizing document identification, and category of entitlement which authorizes the diner to eat on a reimbursable basis.

5. Diner's signature and rank or grade.

190603. Meal Conversion

Meals served (counted) shall be converted to an equivalent meal-days fed for the Annual Reimbursable Rate, "Food Service" report, Volume 11A, Chapter 6, Appendix F, by multiplying the meals served by the following factors:

Meal	Factor	
Breakfast	.20	
Brunch	.45	
Lunch	.40	
Dinner	.40	
Supper	.55	
Night Meal	.20 or .40	(depending on whether a breakfast or dinner menu is served)
Holiday	.65	(.40 lunch plus .25 percent of BDFA)
Snack	.25	

NOTE: These factors represent the estimated portion of the BDFA for each service member for each type of meal. The factors are used to allocate the estimated total food costs to the types of meals served. ***See DoD 1338.10-M***, "Manual for the Department of Defense Food Service," paragraph C7.4.3.

1907 FOOD SERVICE OPERATING EXPENSE REPORTING REQUIREMENTS

The USD(C) Program and Budget Office establishes meal rates annually for personnel authorized meals on a reimbursable basis. An annual expense report, entitled "DoD Food Service Operating Expense Report," must be completed by each of the Military Services. The format and guidance for this report are contained in Volume 11A, Chapter 6, Appendix F.

VOLUME 12, CHAPTER 20: "MILITARY ACADEMY DINING HALL OPERATIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Entire Chapter	The Chapter is certified as current. No policy changes were made.	Update

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CHAPTER 20

MILITARY ACADEMY DINING HALL OPERATIONS

2001 OVERVIEW

200101. Purpose

This chapter establishes the policy for funding the operation of cadet and midshipmen dining halls at the Military Academies and prescribes associated reporting requirements.

200102. Authority

Cadets and midshipmen are authorized an allowance in lieu of subsistence furnished in kind by ***Title 37, United States Code, section 422***.

2002 POLICY AND PROCEDURES

200201. Responsibilities

Each Military Department operates an Academy dining hall to provide complete food service support to the cadets or midshipmen as an integral part of the activities of its Academy.

200202. Subsistence Allowance Amount

The amount of the subsistence allowance for cadets and midshipmen is prescribed by the Secretary of Defense. The amount so prescribed will be allocated by the Military Departments from the current Military Personnel Appropriation to a nonappropriated fund at each Academy based on the number of cadets and midshipmen present for training. Each such nonappropriated fund will be used to procure the food and food products necessary to provide subsistence for the cadets and midshipmen. The nonappropriated fund shall not be used for any purpose other than subsistence procurement; all other charges associated with dining service shall be charged against appropriated funds.

200203. Authorization Determination

The Superintendent of each Academy is authorized to determine who may be authorized to eat in the Academy dining hall and the regulations incident thereto within guidelines issued by the Secretary of the cognizant Military Department. Charges for meals furnished to other than cadets and midshipmen will be established by the Under Secretary of Defense (Comptroller) (USD(C)) and the reimbursable rate for "Food Service" issued annually. All collections for food costs shall be deposited into the nonappropriated fund. The charge for operating expenses will be collected and deposited under the same rules that are applicable to appropriated fund food service activities as prescribed by Chapter 19 sections 1905 and 1906.

200204. Subsistence Allowance – Leave Status

The subsistence allowance that is not earned for any cadet or midshipman on leave or otherwise away from the Academy, and not subsisted at Government expense, will be credited to his or her pay account.

200205. Subsistence Allowance – Temporary Duty Status

The subsistence allowance that is not earned for any cadet or midshipman on temporary duty, and subsistence-in-kind that is furnished at the temporary duty location, will not be collected by the nonappropriated fund.

2003 RESPONSIBILITIES

200301. Internal Control and Procurement

Under overall policy supervision by the Secretary of the cognizant Military Department, the Superintendent of each Academy shall be responsible for:

A. Assuring the efficient and effective management of the Academy dining hall and its nonappropriated fund for the purchase of subsistence items. In connection with this responsibility the Superintendent shall install an accrual accounting system that permits an objective, constructive evaluation of the dining hall operation.

B. Assuring that the procurement procedures maintain the same degree of integrity as those procurement actions taken in accordance with the Federal Acquisition Regulation (FAR). In the event any question arises regarding the proper procurement procedure, the FAR will be used as a guide.

200302. Reporting Requirements

An annual report on meal operating expenses in the Military Academy Dining Halls should be submitted in accordance with the guidance contained in Volume 11A, "Reimbursable Operations, Policy and Procedures," Chapter 6, "Annual Reimbursable Rates," Appendix F.

2004 ANNUAL REIMBURSABLE RATES

The annual reimbursable rates for Military Academy Dining Halls are located on the public website of the Under Secretary of Defense (Comptroller), ***http://comptroller.defense.gov/rates/fy2011/2011_g.pdf***, at "Tab G."

VOLUME 12, CHAPTER 21: "ACCOUNTING FOR DEFENSE HEALTH PROGRAM RESOURCES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Title	Deleted the word "MILITARY" from the main title. The new title properly reflects the scope of the chapter.	Revision
All	Updated hyperlinks as necessary.	Revision
210201	Updated additional activities receiving direct funding from DHP.	Revision
210202.C	Updated where in DHA to forward monthly "FLASH" reports.	Revision
210202.G	Added paragraph to ensure compliance with the Standard Financial Information Structure (SFIS).	Addition

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CHAPTER 21

ACCOUNTING FOR DEFENSE HEALTH PROGRAM RESOURCES

2101 GENERAL

210101. Purpose

This chapter prescribes the financial management policies and procedures necessary to account for the Defense Health Program (DHP) resources.

210102. Overview

A. The annual DHP appropriation funds all elements of the DHP, including annual Operations and Maintenance, multi-year Research, Development, Test and Evaluation, and multi-year Procurement. The applicable Treasury Account Fund Symbol is 97X0130.

B. Department of Defense (DoD) Components execute the DHP through direct allotment to performing installations/activities for all DHP costs, except for military medical personnel costs paid centrally from the applicable Military Personnel appropriation.

C. Civilian medical personnel end strength and full-time equivalents are retained by the applicable DoD Components. Effective October 1, 2009, each DoD installation/activity must direct cite its own DHP operating account for pay of medical civilian personnel.

D. DoD policy applicable to budget formulation and congressional justification (including presentation formats) for the DHP is found in Volume 2B, Chapter 12, section 1204, "Defense Health Program."

2102 RESPONSIBILITIES

The DHP appropriation is allocated to performing DoD Components for execution as follows:

*210201. Office of the Assistant Secretary of Defense (Health Affairs)

The Office of the Assistant Secretary of Defense (Health Affairs) allocates total obligation authority to the headquarters level of each DoD Component Medical Command to fund the DHP at respective installations/activities. The following activities are also funded on a direct basis from the Defense Health Program appropriations:

A. Defense Health Agency (DHA), Comptroller;

B. Uniformed Services University of the Health Sciences;

C. Defense Health Agency (DHA), Contract Resource Management (CRM); and

D. National Capital Region – Medical Directorate.

*210202. Head of Performing DoD Component

The Head of each performing DoD Component, or designee must:

A. Provide DHP allotments to performing installations/activities within that Component.

B. Receive installation/activity level monthly execution reports and summarize those reports for submission to each Defense Finance and Accounting Service (DFAS) site. Each DFAS site shall submit their data to DFAS-Indianapolis (DFAS-IN), Other Defense Organizations, Audited Financial Statements and Budget Execution Division for consolidation.

* C. Provide a summarized monthly 'FLASH' execution report to DHA, Business Support Directorate; Program, Budget and Execution Division. Monthly DHP civilian end strength and full-time equivalent utilization data must be entered into the Defense Health Agency's online Manpower Execution Module.

D. Ensure adequate funding in the DHP operating appropriation for medical civilian personnel payroll costs.

E. Maintain full responsibility for the operation and execution of appropriate Centrally Managed Allotments (CMA) or open allotments to provide for emergency care of active duty military personnel and must fund the CMAs from the DHP authority made available to them.

F. Require Military Treatment Facilities to establish and maintain programs for reimbursable operations consisting of the Third-Party Collections program, Medical Services Accounts program, and Medical Affirmative Claims programs to collect the reasonable charges for medical services provided to Uniform Services beneficiaries and non-beneficiaries. Programs will be established per ***DoD 6010.15-M***, "Military Treatment Facility Uniform Business Office Manual."

* G. Ensure Service Medical Components are in compliance with the Standard Financial Information Structure (SFIS) as the common business language that enables budgeting, performance-based management and the generation of financial statements in accordance with Volume 1, Chapter 4. SFIS is a comprehensive data structure that supports budgeting, financial accounting, cost/performance, and external reporting needs across the Department of Defense.

*210203. Performing Installation/Activity

The performing installation/activity must:

A. Direct cite the DHP allotment received from its Component headquarters to fund all transactions in support of the DHP.

B. Continue to provide personnel and other support for the DHP.

C. Maintain monthly and year-to-date DHP civilian end strength and full-time equivalent utilization data and transmit such data to the Component headquarters and DFAS-IN Departmental Reports, Budget Execution and Financial Statement Division, as appropriate, in conjunction with monthly execution reports.

D. Maintain detailed accounting records and data integrity, including the capability to provide data, in accordance with the requirements detailed in ***DoD 6010.13-M***, "Medical Expense and Performance Reporting System for Fixed Military Medical and Dental Treatment Facilities Manual."

* E. Ensure the Budget Activity Group (BAG) and corresponding Program Element (PE) structure, unique to the DHP, is maintained within accounting systems. The Budget Activity Group and PE structure for the Defense Health Program Budget Activity 1, Operations & Maintenance, is provided at Appendix A to this chapter. The PE definitions are included in the ***FYDP Structure Handbook*, Appendix E** which is maintained by the Office of Cost Assessment and Program Evaluation.

VOLUME 12, CHAPTER 21 APENDIX A: "DHP BUDGET ACTIVITY 1, OPERATION AND MAINTEMNANCE, BUDGET ACTIVITY GROUPS (BAG) AND CORRESPONDING PROGRAM ELEMENT (PE) STRUCTURE

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue, and underlined font*.

The previous version dated May 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated to add new Program Elements	Revision

*Appendix A

DHP Budget Activity 1, Operation and Maintenance, Budget Activity Groups (BAG) and Corresponding Program Element (PE) Structure

BAG	BAG Title	Program Element	Description
1	In-house Care	0807700	Defense Medical Centers, Hospitals and Medical Clinics – CONUS
		0807900	Defense Medical Centers, Hospitals and Medical Clinics – OCONUS
		0807701	Pharmaceuticals – CONUS
		0807901	Pharmaceuticals – OCONUS
		0807715	Dental Care Activities – CONUS
		0807915	Dental Care Activities – OCONUS
2	Private Sector Care	0807702	Pharmaceuticals – Purchased Health Care
		0807703	Pharmaceuticals – National Retail Pharmacy
		0807723	TRICARE Managed Care support Contracts
		0807738	MTF enrollees – Purchased Care
		0807741	Dental – Purchased Care
		0807742	Uniformed Services Family Health Program
		0807743	Supplemental Care – Health Care
		0807745	Supplemental Care - Dental
		0807747	Continuing Health Education/ Capitalization of Assets Program
		0807749	Overseas Purchased Health Care
		0807751	Miscellaneous Purchased Health Care
		0807752	Miscellaneous Support Activities
3	*Consolidated Health Support	0801720	Examining Activities
		0807714	Other Health Activities
		0807705	Military Public/Occupational Health
		0807760	Veterinary Services
		0807724	Military Unique Requirements – Other Medical
		0807725	Aeromedical Evacuation System
		0807730	Service Support to Other Health Activities - TRANSCOM
		0807785	Armed Forces Institute of Pathology
		0807786	Joint Pathology Center
		0903300	Support to FACA Advisory Board Activities

BAG	BAG Title	Program Element	Description
4	*Information Management/ Information Technology (IM/IT)	0807781	Non-Central IM/IT
		0807783	DHP IM/IT
		0807793	MHS Tri-Service IM/IT (Central)
		0807784	Information Technology Development - Integrated Electronic Health Record
		0807787	Information Technology Deployment and Sustainment-DoD Healthcare Management System Modernization
		0807788	DoD Medical Information Exchange and Interoperability
5	*Management Activities	0807798	Management Activities (Components)
		0807704	Defense Health Agency
		0807709	TRICARE Management Activity
6	Education and Training	0806722	Armed Forces Health Professions Scholarship Program
		0806721	Uniformed Services University of the Health Sciences
		0806761	Other Education and Training
7	Base Operations/ Communications	0806276	Facilities Restoration and Modernization (RM) – CONUS
		0806376	Facilities RM – OCONUS
		0806278	Facilities Sustainment – CONUS
		0806378	Facilities Sustainment – OCONUS
		0807779	Facilities Operations, Health Care – CONUS
		0807979	Facilities Operations, Health Care – OCONUS
		0807795	Base Communications – CONUS
		0807995	Base Communications – OCONUS
		0807796	Base Operations – CONUS
		0807996	Base Operations – OCONUS
		0807753	Environmental Conservation
		0807754	Pollution Prevention
		0807756	Environmental Compliance
		0807790	Visual Information Systems
		0808093	Demolition/Disposal of Excess Facilities

VOLUME 12, CHAPTER 23: "CONTINGENCY OPERATIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated January 2005 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
230101	Updates purpose to address financial policy and procedures for small, medium, and large-scale campaign level military contingency operations related to the Department of Defense.	Update
230902	Revises the definition of incremental costs.	Update
230904	Adds specific guidance/instructions to ensure the accuracy and reporting of costs.	Update
2314	Adds a new section on large scale contingencies.	Update
Table 23-1	Updates paragraph 3.4 (Facilities/Base Support) and adds paragraph 7.0 (Other Cost Support).	Update

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CHAPTER 23

CONTINGENCY OPERATIONS

2301 PURPOSE

230101. General

This chapter promulgates financial policy and procedures for small, medium and large-scale campaign level military contingency operations related to the Department of Defense (DoD). These might include but are not limited to, support for peacekeeping operations, major humanitarian assistance efforts, noncombatant evacuation operations (NEO), and international disaster relief efforts. Note that the term "contingency operation" as used in this chapter refers to the above activities, is more universal than the specific definition contained in Title 10, United States Code, section 101(a), paragraph 13. Explicitly excluded from this chapter are peacetime civil emergencies occurring within the U.S., the guidance for which is included in DoD Directive 3025.1, "Military Support to Civil Authorities (MSCA)."

230102. Budgeting for Contingency Operations

DoD Components normally do not budget for contingency operations as discussed in this chapter. Therefore, DoD Components must accomplish directed contingency operations using funds available to the cognizant command or unit, independent of the receipt of specific funds for the operation. The authority for DoD Components to expend available funds is issued by the Secretary of Defense.

230103. An execute or deployment order from the Secretary of Defense

An execute or deployment order from the Secretary of Defense is both the authority for the Commander of a Combatant Command to order the Military Components into action and the authority for DoD Components to expend available funds to carry out the order. Planning orders and alert orders from the Chairman, Joint Chiefs of Staff (CJCS) constitute authority for a Commander of a Combatant Command to expend funds available to that Commander of a Combatant Command and authority to direct a Military Component to expend funds available to that Component for forces assigned to the Commander of a Combatant Command.

230104. DoD Policy Requirements

DoD policy requires that controls, accounting systems, and procedures provide, in financial records, proper identification and recording of costs incurred in supporting contingency operations. For such operations, data must be collected and records maintained to support bill development and the distribution of reimbursements to the applicable organizations.

230105. Emergency Supplemental Funding

This chapter does not address wartime activities or the unique circumstances which require U.S. military forces to be placed on a wartime footing. Those situations may result in activities and costs that are not covered specifically by this chapter but would, nonetheless, require emergency supplemental funding. Such activities will be addressed separately, on an exception basis, from the activities addressed in this chapter. Such exceptions may, for example, include purchase of munitions, replacement of major items of equipment, and repair of facilities or other infrastructure.

230106. Elimination of Potential Duplicative Efforts

DoD officials having responsibility for reviewing and approving purchases in which the source of funding is derived from a transfer account like the Overseas Contingency Operations Transfer Fund (OCOTF) shall, to the greatest extent possible, review transactions to: (1) eliminate the potential for duplicating the procurement of goods and services, and (2) ensure that contractors are reimbursed for only those services and goods provided to the government.

230107 Allowable Contingency Operations Cost

The funding derived from a contingency transfer account is available only for those incremental costs incurred in direct support of a contingency operation. As such, funds that are transferred into a Component's baseline appropriation are not to be used to finance activities and programs that are not directly related to the incremental cost of the contingency. In addition, the funds transferred to a Component's appropriation are not to be used to procure durable and expendable items in excess of what is required. Furthermore, those durable items procured with transferred funds are to be retained in support of the contingency even after the Component/unit has completed its tour of duty to support the contingency. Those durable items in the inventory, such as office equipment and expendable supplies that have not been consumed, should be made available to Components/units that are replacing the Component/unit that is departing the contingency operation area.

230108 Fiduciary Responsibility

It is vital for civilian and military personnel authorized to obligate and expend funds in support of a contingency operation, using resources derived from the transfer of funds from a centrally funded transfer account (e.g. OCOTF), to employ a fiduciary approach to ensure that the funds are used in a prudent manner. Contingency funds are not to be used for purchases that are improper or are in excess of government requirements or which might bring embarrassment to the U.S. Government. Furthermore, special attention must be given by the Components' approving officials when the government purchase card is used for purchases to be funded with funds derived from a contingency operations transfer account. Approving officials are responsible for reviewing and reconciling cardholders' statements and for verifying that all transactions were necessary government purchases made in accordance with the Federal Acquisition Regulation and all other government policies and procedures. (See Volume 10, Chapter 12, of this Regulation for more information.)

2302 REFERENCES

The following references document the authority and procedures under which contingency operations have been executed. The memoranda listed in paragraphs 230204, 230205, and 230206, issued to provide interim guidance for financial management of contingency operations, are superseded by the policies and procedures provided by this chapter.

230201. Waiver of Requirement to Reimburse Support Units.

Secretary of Defense memorandum, July 22, 1996, "Waiver of Requirement to Reimburse Support Units."

230202. Guidance on Contingency Operations and on Contributions for Defense Programs, Projects, and Activities

Under Secretary of Defense (Comptroller) (USD(C)) memorandum, February 8, 1995, "Guidance on Contingency Operations and on Contributions for Defense Programs, Projects, and Activities."

230203. Billing Procedures for U.S. Efforts Supporting Applicable United Nations (UN) Peacekeeping Efforts

USD(C) memorandum, March 29, 1994, "Billing Procedures for U.S. Efforts Supporting Applicable United Nations (UN) Peacekeeping Efforts."

230204. Cost Reporting Requirements and Applicable Billing Procedures for Support to UN Peacekeeping Operations in FY 1994

USD(C) memorandum, March 9, 1994, "Cost Reporting Requirements and Applicable Billing Procedures for Support to UN Peacekeeping Operations in FY 1994."

230205. Reimbursement of Defense Business Operations Fund Activities for Contingency Operations and Humanitarian Efforts

USD(C) memorandum, July 28, 1994, "Reimbursement of Defense Business Operations Fund Activities for Contingency Operations and Humanitarian Efforts."

230206. Disaster Relief Funds

USD(C) memorandum, April 20, 1992, "Disaster Relief Funds."

230207. Foreign Assistance Act, section 506, Special Authority.

230208. Foreign Assistance Act, section 607, Furnishing of Services and Commodities.

230209. Foreign Assistance Act, section 632, Allocation and Reimbursement Amongst Agencies.

2303 RESPONSIBILITIES

230301. Under Secretary of Defense for Policy (USD(P))

USD(P) has policy and management responsibility, through subordinate activities, for peace operations, humanitarian assistance, and international disaster relief operations. For these operations, the USD(P) is responsible for accepting requests for assistance from organizations external to the Department and transmitting cost and availability data to those organizations. In coordination with the USD(C), the USD(P) determines financial responsibility for all contingency operations.

230302. Under Secretary of Defense (Comptroller) (USD(C))

USD(C) is responsible for overall financial policy for contingency operations and works with the USD(P) to determine the most responsive method of financing for contingency operations. In addition, USD(C) is responsible for pursuing prompt reimbursement to the Department from UN and other multinational organizations, other nations, and U.S. agencies for support which the Department has rendered. Additionally, USD(C) will issue guidance, as required, that provides the UN rates for reimbursements.

230303. Under Secretary of Defense for Personnel and Readiness (USD(P&R))

USD(P&R) is the NEO coordinator on behalf of the Secretary of Defense. In that capacity, the USD(P&R) ensures that existing policy and procedures for NEO remain current, to include effecting a memorandum of understanding with the Department of State in accordance with DoD Directive 3025.14, "Protection and Evacuation of U.S. Citizens and Designated Aliens in Danger Areas Abroad" (short title: Noncombatant Evacuation Operations), and the Joint Federal Travel Regulation. USD(P&R) monitors the provisions of each to ensure compliance.

230304. Chairman, Joint Chiefs of Staff (CJCS)

CJCS is responsible for transmitting the Secretary's order to the cognizant Commander of a Combatant Command when a contingency operation is to be executed (via Deployment Orders and Execute Orders). Those orders will include a funding paragraph outlining financial guidance as directed by the USD(C) and USD(P).

230305. Director, Defense Finance and Accounting Service (DFAS)

DFAS is responsible for administering centralized cost consolidation; billing and reimbursement distribution functions in support of contingency operations; and issuing to reporting activities the necessary reporting and coding instructions, transmission links, points of contact, and other related information necessary to ensure accurate and timely reporting of costs. DFAS shall assist DoD Components, as required, in the identification and accumulation of costs. The Director, DFAS, has assigned responsibility for all contingency cost consolidations and billings to the Director, DFAS-Denver (DFAS-DE) Site. DFAS-DE, to effect cost consolidation at the DoD level, shall prepare a monthly status report, by operation, appropriation, and appropriate DoD Component, as applicable, consolidating the cost reports submitted by the DoD Components. For the billing function, DFAS-DE shall consolidate the bills from the DoD Components for monthly

transmittal through the U.S. Mission to the UN or other organizations, as required. DFAS-DE is responsible for appropriate distribution of receipts. In addition, DFAS-DE shall prepare a monthly status report on amounts billed and reimbursements received for each applicable contingency operation. DFAS-DE shall provide copies of the monthly cost and billing status reports to the offices of the USD(P), USD(P&R), and USD(C), as well as the Joint Staff, and others as required.

230306. Secretaries of the Military Departments; Heads of Defense Agencies; and Commander of a Combatant Command USSOCOM

The Heads of the DoD Components cited herein are responsible for preparing cost estimates and submitting budget justifications to the USD(C), and also providing monthly incremental cost reports to DFAS-DE in accordance with USD(C) policy stated herein. In addition, the headquarters of the DoD Components cited herein are responsible for providing DFAS-DE, on a monthly basis, cost statements, supporting documentation, and completed billing documents (i.e., SF 1080, Vouchers for Transfer) for each UN Letter of Assist (LoA) or incurred cost for which payment is requested. The DoD Component headquarters also are responsible for ensuring that guidance is disseminated to the appropriate unit level that details the required cost collection and reporting procedures and methodology for contingency operations.

230307. Director, Defense Security Cooperation Agency (DSCA)

DSCA is responsible for providing leased equipment, using foreign military sales (FMS) systems and procedures, when required to support contingency operations. DSCA also is responsible for directing the implementation of those contingency operations supported under the applicable sections of the Foreign Assistance Act or Title 10, United States Code, when directed by the USD(P) to provide this support. Such support may be in response to requests from the Department of State or requests from the UN for articles and services to support equipment leased under Foreign Military Sales (FMS) procedures. DSCA is authorized to use the FMS system network to provide such support.

230308. U.S. Mission to the UN (Military Advisor)

The Office of the Military Advisor to the U.S. Mission determines the appropriate U.S. agency to support UN requests for assistance. For DoD support, UN requests for price and availability and letters of assist shall be forwarded directly to the OUSD(P) for approval and action. Other UN requests for assistance shall be forwarded through the Executive Secretary to the OUSD(P). The Military Advisor's office shall be the focal point for receipt of billings from DFAS-DE, transmittal of information to the UN requesting offices, and follow-up when necessary to respond to UN queries.

230309. DoD Executive Agent for Repatriation Plans and Operations

The Deputy Chief of Staff for Personnel, Department of the Army, has been designated by the Secretary of Defense and the Secretary of the Army as the responsible DoD Component for coordinating repatriation operations of DoD noncombatants. The DoD Executive Agent develops and maintains a Joint Plan for DoD Noncombatant Repatriation. Financial responsibility remains with the affected DoD Component.

2304 ESTIMATING PROCEDURES FOR CONTINGENCY OPERATIONS

230401. Three Different Types of Contingency Operations Estimates

There are three different types of estimates that are developed and used during the course of an operation. The pre-deployment estimate is used to assess various operational assumptions and to inform the go/no-go decisionmaking process; the budget estimate is used to define and defend requests for reprogramming or additional appropriations; and the working estimate is used during execution of the operation against which the Military Departments measure actual costs, and which can be used as the base for determining the changes in cost that would result from changes to the operational plan. All three types of estimates are important to ensure that senior leaders have the latest and most accurate information available for use in the resource allocation process.

230402. Pre-Deployment Estimate

A. The pre-deployment cost estimate usually is required on short notice, sometimes within hours of notification. This estimate is the most difficult and unreliable of the three estimates due to lack of supporting information. The preliminary estimate typically is prepared by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) and the Joint Staff J-8 using a cost model that uses major incremental cost drivers such as modes of transportation, operation duration, force deployment/phasing, and environmental conditions to project a rough order of magnitude cost estimate. Typically, DoD Components need additional time to develop "ground up" estimates.

B. As an adjunct to the cost model, the OUSD(C) has established a Contingency Cost Estimating Team to help develop more reliable preliminary cost estimates for contingency operations. This team is on call to OUSD(C) and consists of financial managers from the Office of the Secretary of Defense, the Joint Staff, and DoD Components, and augmented by operational and logistics planners as needed, to collect information about the operation and to formulate assumptions to support the cost estimating effort.

230403. Budget Estimate

This estimate is based on specific Commander of a Combatant Command operational plans, troop levels, location, and operating circumstances. The respective Military Services, via their financial management and logistics staffs, use data provided by the Commander of a Combatant Command and the in-theater Service Components to derive a projected incremental cost estimate for submission to OUSD(C). Data provided is examined in detail by the Office of the Secretary of Defense Joint Staff to determine the extent to which variations in the plan have been considered in developing the cost estimate. Time permitting, and on an exception basis, information briefings may be solicited from the staffs of the cognizant Commander of a Combatant Command (and/or service Component commands) to detail anticipated requirements and factors that may prove useful in enhancing the development of the cost estimate. As a standard procedure in developing cost estimates, the Military Components shall utilize all available sources of relevant information and ensure that the field commands and headquarters personnel have applied the lessons learned from cost estimates associated with previous operations.

230404. Working Estimate

This estimate, formulated by the Military Department headquarters staff based on data provided by the respective component commands, builds on the budget estimate by adjusting periodically the budget estimate to reflect actual execution experience and changes in the operational and logistics plans. These estimates shall be revised/updated formally on a quarterly basis (through the Quarterly Contingency Cost Estimate Report) and reported to OUSD(C) as part of the effort to inform senior leadership of changes in cost. These quarterly updates shall incorporate changes to the operational plan and other policy and fact-of-life changes that have a significant impact on the cost estimate formulated prior to actual program implementation. Such changes shall be generated, at least in part, as a result of decisions made by the local commander, who sets requirements based on his assessment of the operational situation.

230405. Major Command Monthly Contingency Cost Estimate Report

These monthly reports to the DoD Component headquarters, from the component commands, identify changes to cost estimates. The reports facilitate regular communication between the Component headquarters and its subordinate commands that have responsibility for executing budgets for various contingency operations. The Component headquarters staff shall use the data submitted to prepare the Quarterly Contingency Cost Estimate Report.

230406. Contingency Operations Cost Categories and Definitions

For estimating and reporting purposes (and, in some cases, for billing purposes), the costs associated with contingency operations are limited to the incremental costs of the operation, that is, costs that are above and beyond baseline training, operations, and personnel costs. Since both the cost estimates and execution reports are based on the same cost categories, cognizant analysts more easily can compare the estimates to actual execution experience. Using a common cost structure facilitates rational cost comparisons. The following cost categories form the basic structure to be used by the Component headquarters to estimate and report contingency operations costs.

COST CATEGORIES (TABLE 23-1)

1.0	Personnel Incremental pay and allowances of DoD military and civilians participating in or supporting a contingency operation. Does not include pay of contract personnel because it is included in the appropriate section 3.0 cost categories, below.		
	1.1	Military Personnel (MILPERS) Pay and Allowances Incremental MILPERS costs include pay, special pay, and entitlements above normal monthly payroll costs for Active, Reserve, and National Guard personnel.	
		1.1.1	Reserve Components Called To Active Duty (Voluntary or Non-Voluntary) The fully-burdened composite rate of pay, allowances, taxes, and accruals for Reserve and National Guard personnel called to active duty to support a contingency operation (excludes AGRs who are mobilized since there is no incremental cost to their mobilization). Excludes Imminent Danger Pay, Family Separation Allowance, and Hardship Duty Pay which are accounted for elsewhere. Does not include TRICARE accrual costs which for reservists are not an incremental cost. It includes, but is not limited to Basic Pay, Basic Allowance for Housing (BAH), Basic Allowance for Subsistence (BAS), Retired Pay Accrual, Special Pays, government's portion of Federal Insurance Contribution Act taxes, Unemployment Tax, and all special and incentive pays.
		1.1.2	Imminent Danger or Hostile Fire Pay (Special Pay) When authorized by the directing authority, a monthly special pay provided to active and reserve component military personnel participating in or supporting the contingency operation.
		1.1.3	Family Separation Allowance (Allowance) A monthly special allowance paid to all active and reserve component personnel who are separated from their families for 30 days or more.
		1.1.4	Hardship Duty Pay (Special Pay or Allowance) Hardship Duty Pay, also known as Foreign Duty Pay and Hardship Duty Location Pay is monthly special payment for both mission and location paid to all Active and Reserve Component personnel who are eligible based upon the appropriate designations for Component personnel who are at a location outside of the continental U.S. (OCONUS).
		1.1.5	Subsistence Includes the costs of water, food, and ice and other subsistence items (Army Class I) which are purchased expressly to support personnel engaged in or supporting the contingency operation.

1.1.6	Reserve Components Predeployment Training Includes all pay and allowance costs, to include basic pay, allowances, travel, and per diem for specially required training prior to activation, and not included within normal Annual Training (AT) and Inactive Duty Training (IDT) periods. Additional AT or IDT required to meet general Military Occupation Specialty individual and collective training standards are excluded.	
1.1.7	Other MILPERS (Special Pay or Allowance) Active and Reserve Component forces may be entitled to other allowances or special pay not included in one of the above items as a result of their involvement in or support to the contingency operation. This may include, but is not limited to, additional BAS, BAH, or Clothing Monetary Allowance - Enlisted.	
	*1.1.7.1	Other Milpers Special and Incentive Pays: Other special pays and incentives not reportable in any other CBS category. Temporary Tours on Active Duty (TTAD) and Active Duty Special Work (ADSW) should be reported in other existing categories.
	1.1.7.2	Permanent Change of Station - Military: Military personnel PCS costs associated with moving a servicemember in preparation for deployment or mobilization and upon return.
	1.1.7.3	Temporary Storage - Military: Includes costs incurred to provide temporary storage for household goods and privately owned vehicles for servicemembers during deployments and mobilization in support of contingency operations.
	1.1.7.4	Casualty and Disability Benefits: Costs incurred to pay death gratuities; Servicemembers' Group Life Insurance (SGLI); Traumatic Injury Protection under SGLI (T-SGLI); SGLI and T-SGLI insurance premiums; and Combat-Related Injury Rehabilitation Pay.
	1.1.7.5	Recruiting and Retention: Incentives and bonuses to recruit and retain personnel in critical military positions.
	1.1.7.6	Additional Mobilization / Deployment Costs: Miscellaneous programs (e.g., Reserve Income Replacement Program, Unemployment Compensation, Interest on Uniformed Services Savings Deposits).

1.1.8	Active Component Overstrength The situation where a Military Service administratively retains a military member in an active duty status beyond a previously scheduled separation from the Armed Forces. Includes the cost of the fully-burdened composite rate of pay, allowances, taxes, and accruals for approved active component end strength in excess of Congressional authorized manning levels while supporting a contingency operation or war. Includes personnel retained as a result of stop loss actions. Excludes Imminent Danger Pay, Family Separation Allowance, and Hardship Duty Pay which are accounted in other categories. It includes, but is not limited to Basic Pay, BAH, BAS, Retired Pay Accrual, TRICARE accrual, Special Pays, the government's portion of Federal Insurance Act Contribution taxes, Unemployment Tax, and all special and incentive pays.
1.2	Civilian Pay and Allowances Incremental DoD civilian pay and benefits expenses directly associated with conduct of the contingency operation.
1.2.1	Civilian Premium Pay Includes certain types of pay such as overtime pay, night/shift differential pay, Sunday pay, holiday pay, hazard duty pay, environmental differential pay, danger pay allowance, and allowances and differentials in foreign areas that are incurred solely as a result of the employee's participation in or support to the contingency operation. Covers premium pay for both permanent and temporary DoD civilian employees.
1.2.2	Civilian Temporary Hires Includes the basic salary and benefit costs of DoD civilian employees hired, on a temporary/nonpermanent basis, to directly support contingency operations or to provide backfill support with duty station in CONUS or OCONUS. Includes reimbursement for Working Capital Fund employees utilized in direct support of a contingency.
2.0	Personnel Support Includes materials and services required to support Active and Reserve Component personnel and DoD civilian personnel engaged in the contingency operation.

2.1	TDY (TEMPORARY DUTY)/TAD (TEMPORARY ADDITIONAL DUTY) Includes the costs of travel, per diem, and lodging for military and civilian personnel that result from participation in or support to the contingency operation. Also includes the cost of invitational travel orders for non-DoD personnel who travel at the request of a DoD Component on an assignment directly related to the contingency operation. Excludes the TDY/TAD costs of Reserve Component personnel called to active duty. These costs are to be reported as Reserve Component activation costs.
2.2	Clothing and Other Personnel Equipment and Supplies Includes the cost of individual and organizational clothing and equipment not already issued to military personnel (active and reserve) and civilian personnel deploying to, participating in, or supporting a contingency operation. Includes, when appropriate, such items as cold weather gear, desert camouflage, additional nuclear, biological and chemical (NBC) suits, and body armor. Includes issue and replacement of clothing, individual equipment, tools and administrative supplies (Army Class II) and personal demand items (i.e., Army Class VI) and other personnel care items (e.g., soap and toothpaste).
2.3	Medical Support/Health Services Additive costs associated with providing medical services to military (Active or Reserve) and civilians (DoD or contractor) in clinics, hospitals, hospital ships, or other medical treatment facilities. Includes predeployment medical examinations, immunizations, medical materials (Army Class VIII supplies; e.g., blood, fluids, and specialized medical repair parts), medical supplies, operation of Mobile Army Surgical Hospital units, patient evacuation, and other nonpay and allowance expenses associated with medical backfill. Includes required communications costs associated with provision of medical services via telemedicine.
2.4	Reserve Component Activation and Deactivation Includes costs to activate (mobilize) and deactivate (demobilize) Reserve units or individual Reservists. Includes transportation from home station to active duty station in CONUS. Training to bring Reserve Components up to active force readiness standards are considered activation costs. Excludes costs of pay, allowances, active duty TDY/TAD, transportation to and from the area of operation, training, and other costs which are reported elsewhere.
2.5	Other Personnel Support Personnel support costs not included in one of the above items. This category would include unusual costs such as permanent change of station, end of term of service, or special actions associated with household goods or privately-owned vehicle storage.

	*2.5.1	Permanent Change of Station - Civilian: Includes costs associated with moving a civilian in preparation for deployment and upon return.
	2.5.2	Temporary Storage - Civilian: Includes costs incurred to provide temporary storage for household goods and privately owned vehicles for civilians during deployments to contingency operations.
	2.6	Rest and Recreation Funds obligated by a DoD Component to provide a U.S. Government civilian or a military member of the Armed Services with an occasion away from a contingency operation duty station for the purpose of rest and recreation. Includes the cost of transportation from and to the contingency operation duty station.
*	2.7	Body Armor: Obligations incurred to procure new, repair, modify, upgrade or replace outer tactical vests, small arms protective inserts, or related force protection equipment.
3.0	Operating Support The incremental costs of material and services used to conduct or support an operation, including contract services. For cost reporting purposes only, includes the cost of unfunded orders sent to and accepted by Defense Working Capital Fund organizations for contingency operations designated by the Secretary of Defense in accordance with Title 10, United States Code,section 127a.	
	3.1	Training Includes the costs associated with predeployment training of units and personnel to participate in or support an operation as well as the costs associated with training troops and personnel during the contingency operation. Includes antiterrorism training if required. Includes ancillary costs associated with proficiency training.
	3.2	Operations Tempo (OPTEMPO) Includes the incremental cost to operate units that conduct or support the contingency operation such as materials and services used during an operation to include: petroleum, oils and lubricants (POL) (Army Class III items) and spare and consumable parts such as repair compon-ents, kits, assemblies, reparable and nonreparable items for equipment maintenance support (Army Class IX items). Only those additional OPTEMPO costs that the Department incurs as a direct result of the contingency operation should be included. Includes all equipment maintenance required to prepare equipment for deployment and to maintain equipment during the contingency operation. Excludes charges for the use of DoD assets and also excludes cost of ammunition of all types (chemical, radiological, and special weapons), bombs, explosives, mine, fuse detonators, propellants, missiles, pyrotechnics and other associated items (Army Class V Items).

3.3	Other Supplies and Equipment Includes acquisition (via lease, rental, or purchase) of supplies and equipment required to equip and sustain the forces during all phases of the contingency operation such as special protective gear for equipment or containers.
3.3.1	Mine and Ballistic Protection Kits: Includes cost for the purchase, repair and maintenance for equipment and kits designed to increase personnel and vehicle ballistic protection.
3.3.2	Supplies and Equipment: Includes costs for supplies and equipment that is directly attributable to a contingency operation, but is not associated with operating tempo.
3.4	Facilities/Base Support Includes establishment, maintenance, and operation of billeting, camps, airfields, staging areas, relief centers, etc., similar to base operating support (BOS or BASOPS) and real property maintenance. While this cost category generally applies to costs incurred away from home station, home station costs may be included if they are incurred to support the contingency operation and would not have been incurred but for the contingency operation. This cost category includes leases, rents, and utilities to operate bases, camps, relief centers, airfields, and other operating/support facilities established to support the contingency operation. This category include fortifications and barriers (Army Class IV) and other physical security costs as well as costs associated with services to protect forces at the facility (such as lease of land for required stand-off distance, special sewage removal or water hauling) and other base/center operating expenses such as food preparation/serving service, storage and distribution warehousing, or local area shuttle services. Includes materials and services provided by DoD Components or contractors and all logistics civil augmentation program costs.
3.5	Equipment Maintenance Includes the cost to clean, inspect, maintain, replace, and restore equipment to the required condition at the conclusion of the contingency operation or unit deployment. Covers equipment organic to the parti-cipating unit and war reserve stocks prior to replacement into storage. Excludes the cost to transport equipment being repaired/restored.
3.5.1	Organizational Level Maintenance The cost of equipment maintenance activities performed at the organizational/unit level. Includes the cost to clean, inspect, and maintain organic equipment to the required condition at the conclusion of the contingency operation or unit deployment. Covers equipment organic to the participating unit and war reserve stock prior to replacement into storage. Excludes the cost to transport equipment being repaired/restored.

	*3.5.1.1 Non-Reset Organizational Level Maintenance: Organization/unit level cost of equipment maintenance activities, other than reset.
	3.5.1.2 Reset Organizational Level Maintenance: Maintenance actions at the Organizational level to accomplish Reset. These maintenance and supply activities involve Organizational level repairs/overhauls centrally managed to specified standards.
3.5.2	Intermediate Level Maintenance The cost of equipment maintenance activities performed at the intermediate level facility, to include the cost to clean, inspect, and maintain organic equipment to the required condition at the conclusion of the contingency operation or unit deployment. Covers equipment organic to the participating unit and war reserve stock prior to replacement into storage. Excludes the cost to transport equipment being repaired/restored.
	3.5.5.1 Non-Reset Intermediate Level Maintenance: Intermediate level cost of equipment maintenance activities, other than reset.
	3.5.2.2 Reset Intermediate Level Maintenance: Maintenance actions at the Intermediate level to accomplish Reset. These maintenance and supply activities involve Intermediate level repairs/overhauls centrally managed to specified standards.
3.5.3	Depot Level Maintenance The cost of equipment maintenance activities performed at the depot level facility, to include the cost to overhaul, clean, inspect, and maintain organic equipment to the required condition at the conclusion of the contingency operation or unit deployment. Covers equipment organic to the participating unit and war reserve stock prior to replacement into storage. Excludes the cost to transport equipment being repaired/restored.
	3.5.3.1 Non-Reset Depot Level Maintenance: Depot level cost of equipment maintenance activities, other than reset.
	3.5.3.2 Reset Depot Level Maintenance Reset: Maintenance actions at the Depot level to accomplish Reset.
3.5.4	Contractor Logistics Support The cost included when required material and maintenance of an end item or system is performed by contract support.

	*3.5.4.1 Non-Reset Contractor Logistics Support: Contractor logistics support cost, excluding reset costs.
	3.5.4.2 Reset Contractor Logistics Support: Maintenance actions through Contractor Logistics Support to accomplish Reset.
	3.8.4.3 Up-Armored HMMWV Repair: Obligations incurred to repair, modify, or upgrade Up Armored High Mobility Multipurpose Wheeled Vehicles (HMMWV).
3.6	Command, Control, Communications, Computers and Intelligence (C4I) Includes the cost of designing, engineering, installing, and maintaining C4I systems required to support the contingency operations such as: purchase and lease of communications equipment, lease of commercial satellites and long-haul lines; and collection, analysis, and dissemination of information or intelligence information (to include cartography, imagery, and other mapping activities and joint surveillance attack radar system and unmanned aerial vehicles.
3.7	Other Services and Miscellaneous Contracts Includes costs of procuring, leasing, or renting miscellaneous supplies or services used during the contingency operation. Includes general support and administrative equipment not identified in another category. Includes contract services such as linguists not identified in another category.
	*3.7.1 Miscellaneous Supplies: Generally, includes supplies (non C4I) associated with the maintenance, leasing or renting of supplies and equipment provided during a contingency operation.
	3.7.2 Contract Services: Includes costs associated with providing contract services (non C4I) used during the contingency operation not covered in any other CBS category.
	3.7.3 General Support and Administrative Equipment: Includes costs incurred to maintain and operate equipment with multi-use administrative purposes.
	3.7.4. LOGCAP: Obligations incurred to pay for contract costs related to the Logistics Civilian Augmentation Program.
3.8	Joint Counter IED Operations: Obligations incurred to operate or repair equipment to defeat or counter the use of improvised explosive devices.

4.0	Transportation Includes transportation costs associated with supporting the contingency operation, including contract services, for all phases of the operation (i.e., deployment, sustainment and redeployment). For cost reporting purposes only, includes the cost of unfunded orders sent to and accepted by Defense Working Capital Fund organizations for contingency operations designated by the Secretary of Defense under provisions of Title 10, United States Code,section 127a.	
	4.1	Airlift Includes transportation of personnel, equipment, and material by air either by commercial or military assets.
	4.2	Sealift Includes transportation of personnel, equipment, and material by sea using commercial or active duty naval ships.
	4.3	Ready Reserve Force (RRF)/Fast Sealift Ship (FSS) Includes transportation of personnel, equipment, and material by sea using RRF/FSS. Includes the cost to activate/deactivate and make vessels ready for use in contingency operations.
	4.4	Port Handling/lnland Transportation Includes port handling costs and transportation of personnel, equipment, and material by land. Also includes any contracted services to support port handling or inland transportation. Includes transportation between peacetime operating locations (home station) and ports and transportation between ports and the area of operation during deployment, sustainment, and redeployment.
	4.5	Other Transportation Includes transportation not included as airlift, sealift, ready reserve forces, or port handling/inland transportation.
	4.6	Second Destination Transportation Includes the cost of delivery of end item(s) to a location in support of a contingency operation. Also includes Defense Logistics Agency second destination costs.
5.0	Working Capital Fund Support Costs Includes costs associated with supporting the contingency operation, accepted by Defense Working Capital Fund organizations for contingency operations designated by the Secretary of Defense under provisions of Title 10, United States Code, section 127a.	
	5.1	Depot Level Reparables Includes the cost of depot level reparables obligations incurred in support of a contingency operation within a Working Capital Fund.
	5.2	Depot Maintenance Includes the cost of depot maintenance obligations incurred in support of a contingency operation within a Working Capital Fund.

	5.3	Nonflying Hours Spares (War Reserve Stock) Includes the cost of nonflying hours spares obligations incurred in support of a contingency operation within a Working Capital Fund.
	5.4	War Reserve Stock Secondary Items Includes the cost of War Reserve Stock Secondary Items obligations incurred in support of a contingency operation within a Working Capital Fund.
	5.5	Prepositioning Equipment Replacement (War Reserve Stock) Includes the cost of prepositioning equipment replacement obligations incurred in support of a contingency operation within a Working Capital Fund.
	5.6	Prepositioning Munitions Replacement (War Reserve Stock) Includes the cost of prepositioning munitions replacement obligations incurred in support of a contingency operation within a Working Capital Fund.
	5.7	Battle Damage Repair Includes the cost of battle damage repair obligations incurred in support of a contingency operation within a Working Capital Fund.
6.0	INVESTMENT Costs Includes costs associated with supporting the contingency operation, appropriately financed in the Procurement; Research Development, Test and Evaluation (RDT&E); and in the Military Construction appropriations for projects in support of contingency operations designated by the Secretary of Defense under provisions of Title 10, United States Code, section 127a.	
	6.1	Procurement Includes costs associated with supporting a contingency operation, for items appropriately financed in the Procurement accounts. Reference DoDFMR Volume 2A, Chapter 1, section 010201, Criteria for Determining Expense and Investment Costs; for specific guidance regarding applicability.
		*6.1.1 Aircraft Procurement: Includes the obligation of funds in the Components aircraft procurement accounts, incurred in support of a contingency operation within the procurement title.

6.1.1.1	Aircraft Procurement Reset: The obligation of funds in the Components aircraft procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the units' future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.1.1.2	Aircraft Procurement Non-Reset: Includes the obligation of funds in the Components aircraft procurement accounts, incurred in support of a contingency operation excluding reset.
6.1.2	Munition Procurement: Includes the obligation of funds in the Components munition procurement accounts, incurred in support of a contingency operation within the procurement title.
6.1.2.1	Munition Procurement Reset: The obligation of funds in the Components munition procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the units' future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.1.2.2	Munition Procurement Non-Reset: Includes the obligation of funds in the Components munition procurement accounts, incurred in support of a contingency operation excluding reset.
6.1.3	Vehicle Procurement: Includes the obligation of funds in the Components vehicle procurement accounts, incurred in support of a contingency operation within the procurement title.

6.1.3.1	Vehicle Procurement Reset: The obligation of funds in the Components vehicle procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the units' future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.1.3.2	Vehicle Procurement Non-Reset: Includes the obligation of funds in the Components vehicle procurement accounts, incurred in support of a contingency operation excluding reset.
6.1.4	Communication & Electronic Equipment Procurement: Includes the obligation of funds in the Components communication & electronic procurement accounts, incurred in support of a contingency operation within the procurement title.
6.1.4.1	Communication & Electronic Equipment Procurement Reset: The obligation of funds in the Components communication and electronic equipment procurement accounts procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the units' future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.1.4.2	Communication & Electronic Equipment Procurement Non-Reset: Includes the obligation of funds in the Components communication and electronic procurement accounts, incurred in support of a contingency operation excluding reset.
6.1.5	Non-IED/Up-Armored Humvees, Combat Support Procurement: Includes the obligation of funds in the Components other procurement accounts, incurred in support of a contingency operation within the procurement title.

	6.1.5.1	Non-IED/Up-Armored Humvees, Combat Support Procurement Reset: The obligation of funds in the Components other procurement accounts procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the units' future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
	6.1.5.2	Non-IED/Up-Armored Humvees, Combat Support Procurement Non-Reset: Includes the obligation of funds in the Components other procurement accounts, incurred in support of a contingency operation excluding reset.
	6.1.6	Up-Armored Humvees Procure and Modify: Includes the obligation of funds in the Components up-armored humvee procurement accounts, incurred in support of a contingency operation.
	6.1.6.1	Up-Armored Humvee Procurement Reset: The obligation of funds in the Components up-armored humvee procurement accounts procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the units' future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
	6.1.6.2	Up-Armored Humvee Procurement Non-Reset: Includes the obligation of funds in the Components up-armored humvee procurement accounts, incurred in support of a contingency operation excluding reset.

	6.1.7 Joint Counter IED: Obligations incurred to procure, modify, upgrade or replace equipment to defeat or counter the use of improvised explosive devices.
6.2	Research, Development, Test and Evaluation Includes costs associated with supporting a contingency operation, for items appropriately financed in the Research, Development, Test and Evaluation (RDT&E) accounts. Reference DoDFMR Volume 2A, Chapter 1, section 010213, RDT&E – Definitions and Criteria; for specific guidance regarding applicability.
	*6.2.1 Basic Research: Includes the obligation of funds in the Components Basic Research program, within the RDT&E title, incurred in support of a contingency operation.
	6.2.1.1 Basic Research Reset: The obligation of funds in the Components Basic Research program, within the RDT&E title that include actions taken to restore units to a desired level of combat capability commensurate with the units' future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
	6.2.1.2 Basic Research Non-Reset: Includes the obligation of funds in the Components Basic Research program, within the RDT&E title, incurred in support of a contingency operation excluding reset.
	6.2.2 Applied Research: Includes the obligation of funds in the Components Applied Research program, within the RDT&E title, incurred in support of a contingency operation.
	6.2.2.1 Applied Research Reset: The obligation of funds in the Components Applied Research program, RDT&E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units' future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged,

	stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.2.2.2	Applied Research Non-Reset: Includes the obligation of funds in the Components Applied Research program, RDT&E title, incurred in support of a contingency operation excluding reset.
6.2.3	Advanced Technology Development: Includes the obligation of funds in the Components Advanced Technology Development program, within the RDT&E title, incurred in support of a contingency operation.
6.2.3.1	Advanced Technology Reset: The obligation of funds in the Components Advanced Technology programs, within the RDT&E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units' future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.2.3.2	Advanced Technology Non-Reset: Includes the obligation of funds in the Components Advanced Technology programs, within the RDT&E title, incurred in support of a contingency operation excluding reset.
6.2.4	Advanced Component Development and Prototype: Includes the obligation of funds in the Components advanced Component Development and Prototype program, within the RDT&E title, incurred in support of a contingency operation.

6.2.4.1	Advanced Component Development & Prototype Reset: The obligation of funds in the Components Advanced Component Development and Prototype programs, within the RDT&E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units' future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.2.4.2	Communication & Electronic Equipment Procurement Non-Reset: Includes the obligation of funds in the Components communication and electronic procurement accounts, incurred in support of a contingency operation excluding reset.
6.2.5	System Development and Demonstration: Includes the obligation of funds in the Components System Development and Demonstration programs, within the RDT&E title, incurred in support of a contingency operation.
6.2.5.1	System Development and Demonstration Reset: The obligation of funds in the Components System Development and Demonstration programs, within the RDT&E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units' future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.2.5.2	System Development and Demonstration Non-Reset: Includes the obligation of funds in the Components System Development and Demonstration programs, within the RDT&E title, incurred in support of a contingency operation excluding reset.

6.2.6	Management Support: Includes the obligation of funds in the Components Management Support programs, within the RDT&E title, incurred in support of a contingency operation.
6.2.6.1	Management Support Reset: The obligation of funds in the Components Management Support programs, within the RDT&E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units' future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.2.6.2	Management Support Non-Reset: Includes the obligation of funds in the Components Management Support programs, within the RDT&E title, incurred in support of a contingency operation excluding reset.
6.2.7	Operational System Development: Includes the obligation of funds in the Components Operational System Development programs, within the RDT&E title, incurred in support of a contingency operation.
6.2.7.1	Operational System Development Reset: The obligation of funds in the Components Operational System Development programs, within the RDT&E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units' future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.2.7.2	Operational System Development Non-Reset: Includes the obligation of funds in the Components Operational System Development programs, within the RDT&E title, incurred in support of a contingency operation excluding reset.

6.3 Military Construction
Includes costs associated with supporting a contingency operation, for items appropriately financed in the military construction accounts. Reference DoDFMR Volume 2B, Chapter 6, section 060101, Purpose; for specific guidance regarding applicability.

6.3.1 Major Construction
Includes the obligation of funds in the Components major construction program, within the military construction title, incurred in support of a contingency operation.

6.3.2 Minor Construction
Includes the obligation of funds in the Components minor construction program, within the military construction title, incurred in support of a contingency operation.

6.3.3 Family Housing (Construction)
Includes the obligation of funds in the Components family housing (construction) program, within the military construction title, incurred in support of a contingency operation.

6.3.4 Family Housing (Operation & Maintenance)
Includes the obligation of funds in the Components family housing (operation & maintenance) program, within the military construction title, incurred in support of a contingency operation.

OTHER SUPPORT COSTS
Includes various departmental programs designed to reimburse coalition countries for logistical and military support; to provide lift to and to sustain coalition partners during military operations; to train and equip the Afghan National Army and the Armed Forces of Iraq, and to execute the Commander's Emergency Response Program.

Coalition Support
Includes costs to reimburse coalition partners for costs incurred for transportation to/from/within the theater, sustainment costs in the theater, and other types of support for costs they incurred supporting U.S. military operations in the Global War on Terror.

Lift and Sustain
Includes costs for transportation and logistic support for coalition partners who otherwise would be unable to economically support U.S. military operations in Iraq and Afghanistan.

Train and Equip
Includes costs to finance the training and equipping and other related assistance to the Iraqi Armed Forces and the Afghan National Army, to enhance their capability to combat terrorism and to support U.S. military operations in Iraq and Afghanistan.

Commander’s Emergency Response Program
Includes costs by military commanders to provide for small scale reconstruction and humanitarian relief projects that will provide immediate benefit to the Iraq and Afghanistan populace.

230407 Contingency Operations Support Tool (COST)

For estimating purposes, the Components will prepare the Contingency Operations (CONOPS) estimate for a deployment of military personnel and equipment as approved by the Secretary of Defense using the COST tool as directed by the Office of the Under Secretary (Comptroller). The USD(C) will issue specific guidance as necessary pertaining to factors and cost criteria for the CONOPS being estimated. The COST estimate will address the funding requirements for Operation and Maintenance, and Military Personnel costs.

230408. Justification of Cost Estimates

To defend and explain cost estimates, Components shall consider the following factors and note the assumptions and/or facts that apply to the estimate.

Factor	Considerations
Number of Troops (Active and Reserve)	How many troops are in theater and in surrounding countries providing support? Include those afloat.
Number of Reserve Personnel	How many reservists will be deployed? Are these reservists serving beyond their normal tour of duty?
Duration	What is the assumed length of the contingency?
Terrain/Weather	Are there unique environmental factors that may affect costs?
Equipment	What type of equipment is needed to perform the mission e.g., light forces, heavy forces, or aviation support?
Threat	Is this a permissive environment or a hostile environment?
Operational Tempo	Will equipment and weapon systems be operated above the normal peace time tempo already budgeted?
Communications Support	What additional communications support is required? Is the service provided through Defense Information Systems Agency or a commercial firm?
Intelligence Support	What additional intelligence support is required? Any National Foreign Intelligence Program must be coordinated through the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence.
Reconstitution	What supplies must be replaced and equipment repaired when troops and/or equipment are redeployed or rotated?
Pre-Deployment Training	Is any training required prior to deployment beyond that already budgeted?
Post-Deployment Training	Is any refresher training required after deployment for lost or degraded skills?

Quality-of-Life	Are there quality-of-life costs? Examples include, but are not limited to delivery of newspapers, establishing commissary or exchange facilities, installing telecommunications and computer email for personal use.
Host Nation Support	Will the host government provide services or support, i.e., assistance-in-kind, to offset the cost of the contingency?
Local Infrastructure	What is the condition of the local infrastructure? Are water and sewage facilities available? Is the road, rail, and air transportation adequate for the mission?
Rotations	Are force rotations planned? At what intervals? Will the equipment rotate with the personnel?
Transportation	How will equipment and personnel be transported to the contingency area? Where will they originate?

2305 GENERAL FUNDING RESPONSIBILITIES

230501. Service Component

Each service Component command shall collect all applicable costs related to specific contingency operations, and report these costs to the respective Military Department Senior Financial Manager for subsequent submission for consolidation to DFAS-DE. To the extent that financing has not been provided for a contingency operation, the Department will pursue all options to obtain the additional funding required to ensure readiness of U.S. Forces is not reduced by participation in the operation.

230502. U.S. Transportation Command and the Defense Logistics Agency

Except as provided in section 2306 below, all requests for transportation or other services to a Working Capital Fund Activity, such as the U.S. Transportation Command and the Defense Logistics Agency, shall include a funding source. In the event that a Working Capital Fund activity receives a valid order (e.g., execute or deployment order or a commander of a Combatant Command operations order) that directs action without a funding source, the parent Military Department of the subordinate command receiving the services shall provide funding to finance the request.

2306 SPECIAL FUNDING MECHANISMS

230601. General

Title 10, United States Code, section 127a was revised to include special funding mechanisms for certain operations for which funds are not provided in advance. The statute also requires that such operations be so designated and identified by the Secretary of Defense to the Congress. When an operation is so designated, DoD Components immediately shall notify subordinate organizations. Also, DoD Components shall establish procedures and controls for these special funding mechanisms.

230602. Special Funding Mechanisms Participating units

Units participating in such designated operations may not be required, under certain conditions, to reimburse (provide funded customer orders to) Working Capital Fund organizations for goods and services at the time such goods and services are ordered. These procedures apply only to units actually participating in the covered operation, and only to requirements that are directly attributable to the operation; would not have been incurred but for the operation; and have not been financed previously through an appropriation, supplemental funding, reprogramming, or a reallocation of existing appropriations.

230603. General Restrictions

The following general restrictions apply since the Department is not relieved of the legal restrictions of the Antideficiency Act, and because Working Capital Fund cash must remain positive under these legal restrictions. Prior to acceptance by a Working Capital Fund activity of an unfunded customer order, the commander of the Working Capital Fund activity involved shall determine that the unfunded customer order can be filled without incurring a violation of an Antideficiency Act. If filling the requested goods or services, without a funded customer order, would result in a violation of the Act, the Working Capital Fund activity shall notify the requesting DoD Component either to issue a funded order or arrange for the transfer of sufficient Working Capital Fund cash to the supporting Working Capital Fund activity to cover the requested service or supplies.

230604. Working Capital Fund Activities

When a participating unit of the U.S. Armed Forces orders goods or services from a Working Capital Fund activity and those goods or services meet the criteria addressed in paragraphs 230602 and 230603 above, the unit providing the unfunded customer order to the performing Working Capital Fund activity must, in each such request, notify the performing Working Capital Fund activity that the order, or specified portion thereof, is in support of a designated operations and that a funded customer order for the goods or services is not required.

230605. Working Capital Fund activity unfunded customer orders

The Working Capital Fund activity filling the unfunded customer order separately shall account for all such unfunded customer orders filled and separately report those costs, on a monthly basis, to the DoD Component Senior Financial Manager of the requesting activity. The DoD Components' Senior Financial Manager shall report separately the cumulative amounts of such unfunded customer orders to DFAS-DE in accordance with provisions contained in this chapter. In accordance with 10 U.S.C. 127a, such amounts shall be accounted for separately and will be used to determine the amounts required to be transferred to the Working Capital Fund activities in order to restore balances to previous levels.

230606. Working Capital Fund Priorities

In order to ensure that the cash reserves of any Working Capital Fund activity are used for the highest priority requirements, the commander of the Working Capital Fund activity shall notify the Principal Deputy Under Secretary of Defense (Comptroller), in writing, and wait 5 workdays before filling the unfunded customer order.

230607. Guidance on Reporting

As needed, the OUSD(C) will provide additional guidance on reporting the use of this authority for designated operations that become eligible for the special funding mechanisms available under 10 U.S.C. 127a.

2307 COST COLLECTION

230701. Special Program Codes

Upon being alerted of an impending contingency operation, each participating DoD Component shall establish a unique special program code to capture costs. Additionally, the Joint Staff shall issue a three-digit CJCS Project Code, which provides precedence for supply requisitions and facilitates cost capturing and reporting.

230702. Accounting System(s)

Each organization that supports a contingency operation shall capture related obligations and disbursements in its accounting system(s) at the lowest possible level of the organization. This provides tracking of obligations and disbursements for affected appropriations.

230703. Costs related to Contingency Operations

Costs related to a contingency operation may be incurred both in the area of responsibility and in other locations. It is the responsibility of the organization that incurs costs in support of the operation, directly or indirectly, to ensure that information on all costs is transmitted to the appropriate DoD Component Senior Financial Manager for forwarding to DFAS-DE, as appropriate.

230704. Cost accounting systems

Cost accounting systems shall not be established solely for the purpose of determining costs for contingency operations, but the data from existing systems shall be used as applicable.

230705. Incremental and Billable Costs

DoD Component Senior Financial Managers shall determine incremental and billable costs.

2308 COST REPORTING

230801. Cost reporting Requirements

Cost reports, SFs 1080, and substantiating documents shall be submitted through the DoD Component Senior Financial Manager to DFAS-DE. Component submissions shall be initiated in sufficient time to arrive at DFAS-DE not later than 30 days following the month in which the cost occurs. Costs shall be reported only by the DoD Component Senior Financial Manager that incurs the cost against appropriated funds. Submissions to DFAS-DE for reporting and billing shall be approved by the DoD Component Senior Financial Manager. See Annex 1 for the standard reporting formats for preparation of the Contingency Cost Report.

230802. DoD Component Inclusions

The DoD Component cost reports shall include all costs, including Working Capital Funds costs (common user/Component unique), that are collected in the accounting or cost accounting system. The Services shall reimburse the Working Capital Funds activity for costs, and separately reflect such costs in their cost reports.

230803. Monthly Consolidation Cost Reports

On a monthly basis, DFAS-DE will consolidate the cost reports provided by the DoD Components and provide reports to the offices of the USD(C), USD(P), and USD(P&R), the Joint Staff, Component Command comptrollers, DoD Component Senior Financial Managers and others, as required, no later than 15 days after receipt from the DoD Components.

2309 DETERMINING COST

The following guidelines are provided to assist the DoD Components in determining baseline and incremental costs for contingency operations.

230901. Baseline Costs

Baseline costs are the continuing annual costs of DoD operations funded by the operation and maintenance and military personnel appropriations. Essentially, baseline costs are those costs that would be incurred whether or not a contingency operation took place, i.e., programmed and budgeted costs. Examples include: scheduled flying hours, steaming days, training days, and exercises.

230902. Incremental Costs

Incremental costs are additional costs to the DoD Component appropriations that would not have been incurred had the contingency operation not been supported. Incremental costs do not include the cost of property or services acquired by the Department that was paid for by a source outside the Department or out of funds contributed by such a source. The costs of investment items, construction costs, and costs incurred to fix existing shortcomings can be categorized as incremental expenses *only if* the expenditures were necessary to support a contingency operation and would not have been incurred in that fiscal year in the absence of the contingency requirement. Costs incurred beyond what was reasonably necessary to support a contingency operation cannot be deemed incremental expenses, since such costs are not directly attributable to support of the operation. The following are examples of allowable incremental costs:

A. Military entitlements such as premium pay, hazardous duty pay, family separation allowance, or other payments made over and above the normal monthly payroll costs.

B. Increases in the amount of allowances due to changes in geographic assignment area due to a contingency (i.e., BAS or BAH).

C. Travel and per diem of active military personnel and costs of Reserve Component personnel, called to active duty by a federal official, who are assigned solely to support the contingency.

D. Overtime, travel, and per diem of permanent DoD civilian personnel in support of a contingency.

E. Wages, travel, and per diem of temporary DoD civilian personnel hired or assigned solely to perform services supporting the operation.

F. Transportation costs of moving personnel, material, equipment, and supplies to the contingency or contingency staging area, including such things as port handling charges; packing, crating and handling charges; first and second destination charges.

G. Cost of rents, communications, and utilities that is attributable to the contingency. Examples of such incremental costs include: telephone service, computer time, satellite time, and crypto-traffic support of the contingency.

H. Cost of work, services, training, and material procured under contract for the specific purpose of providing assistance in a contingency.

I. Cost of material, equipment, and supplies from regular stocks used in providing directed assistance. Material, equipment and supplies from stock shall be priced at the standard prices that are used for issues to the DoD activities. Included in this category will be consumables such as field rations, medical supplies, office supplies, chemicals, cleaning and toilet supplies, petroleum, and items ordinarily consumed or expended within 1 year after they are put into use. Material, equipment and supplies determined to be excess to the departmental

requirements may be made available for transfer under excess property disposal authority without reimbursement. In these instances, however, accessorial charges for packing, crating, handling, and transportation shall be added where applicable.

J. Costs incurred that are paid from trust, revolving, or other funds, and whose reimbursement is required.

K. Replacement costs of attrition losses directly attributable to support of the operation.

L. That portion of equipment overhaul and maintenance costs when computed on a fractional use basis when the additive cost attributable to the contingency can be identified.

M. Cost of increased flying hours in excess of the level of flying hours otherwise programmed and budgeted for, except that, in the case of humanitarian assistance operations undertaken under the authority of 10 U.S.C. 2551 or similar authority, all flying hour costs shall be included for all flights made for the primary purpose of providing the humanitarian assistance.

N. Service specific costs for increased OPTEMPO, such as steaming costs for the Navy. Such costs, however, require individual determinations. Reported incremental costs shall reflect, as closely as possible, the actual incremental costs incurred by the unit involved in the specific operation, using cost factors for the specific command or geographic area, when available, as compared to composite cost factors for the overall DoD Component.

230903. Cost Offsets

In some instances, costs for which funds have been appropriated may not be incurred as a result of a contingency operation. Examples include: basic allowance for subsistence not paid, training not conducted, and base operations support not provided. In other situations, identified incremental costs may be offset in various ways, such as supply turn-ins for items not used or placed in inventory, and non-monetary contributions, such as free fuel. See Chapter 3 of this volume for reporting non-monetary contributions. These offsets shall be accurately documented and reported at the cognizant organization levels to maintain adequate accountability for reporting and audit purposes.

230904. Guidance/Instructions

Each DoD Component shall ensure that detailed guidance is disseminated to the appropriate subordinate organization levels to ensure the accuracy and reporting of costs.

A. Acquisition Requirements. For contingency operations involving extended deployment of equipment and/or the consumption of materials, leading to the depletion of war reserve stock, a Component may request funding for such procurement items directly related to the prosecution of operations as approved by OUSD(C). In general, it is anticipated that procurement costs intended to replace consumed equipment or material, will be associated with “Campaign Level Contingency Operations” characterized as military deployments of

extended duration and involving the utilization of significant numbers of combat elements of the Services.

1. Cost Estimating. The replacement and reconstitution of equipment, munitions, and other end items related to the contingency operation will be handled on an exception basis. OUSD(C) will request the submission of exhibits indicating the level of consumption, cost, quantities to be procured, inventory objectives, and similar financial and programmatic data necessary to assess the requirement. OUSD(C) will provide additional instructions regarding submission of recapitalization costs at an appropriate time.

2. Major Platforms. For major platforms, the Component must demonstrate that the end item is directly associated with current operations. The request should not contain funding to support accelerations of baseline procurement end items unless specifically approved by OUSD(C). Components will not include estimates for future combat losses in their request.

3. Funding Requests for Procurement Funds. Funding requests for procurement programs should not exceed the numerical quantity that would deliver in a normal funded delivery period for that item. Furthermore, for most situations, a Component should not request funding for obligations expected to occur beyond the current fiscal year.

4. Funding Requests for Research, Development, Test, and Evaluation (RDT&E) Funding. In limited circumstances, a Component may request funding for the development of technologies that can be fielded in support of an on-going operation if the delivery of such technology can be introduced into the area of operations in time to benefit the prosecution of the operation. In such a case, the Component may request RDT&E funding.

5. Funding Requests for Military Construction Funding. In limited circumstances, a Component may request funding for military construction projects which support an ongoing operation. This may be appropriate if the completion of such a structure can be introduced into the area of operations in time to benefit the prosecution of the operation. In such a case, the Component may request funding.

6. Funding Requests for Working Capital Funds or Other Revolving Funds. In limited circumstances, a Component may request funding for Working Capital Fund and other revolving funds which support ongoing operations if such funding is directly related to the operations.

7. Acquisition Obligation Reporting. Obligations for acquisition requirements will be codified under the cost categories (Contingency Cost Breakdown Structure (CBS)) listed in section 230406 of this chapter. Components will report to DFAS all obligations incurred in procurement, RDT&E, Working Capital, or Military Construction appropriations on a monthly basis as addressed in section 2308 of this chapter.

B. Cost Reporting. Reporting is an integral part of the Department's stewardship. Components must make every effort possible to capture and accurately report the cost of the contingency operation. Components are required to report the obligation of all funds (regardless of source) to cover the incremental costs of the contingency, including funds received in a supplemental. Each Component will develop and publish a Standard Operating Procedure

(SOP) or other supplemental guidance that will cover Component specific items for cost reporting, under this chapter and validating monthly reporting. At a minimum, the SOP should cover:

1. Data Source. This section should outline the acceptable procedures and methodology used for capturing costs by CBS category. All sources of data collected for reporting costs should be identified, to include source accounting systems, in-house tracking methods, and supporting documentation. If costs are not captured by CBS category, then the methodology of cross-walking data to the CBS category should be documented.

2. Validation. Monthly, Components will review and validate their reported costs as accurate and a fair representation of ongoing activities. As a part of this review the variance analysis, discussed below, will be included. Significant changes from the prior month will be summarized and reported to OUSD (C), Operations Directorate.

* 3. Variance Analysis. Each Component is required to provide an analysis, in the footnotes of the report, of all significant variances to OUSD(C), Operations Directorate. At a minimum, each report will include variance analysis in accordance with the, Instructions for the Analysis of Contingency Operations Costs, issued by OUSD(C). The analysis should address: Cause of the variance (Describe the action that caused the costs to increase or decrease), Factors affecting the variance (What are the values of the related factors that impacted the changes), Purpose and effect of the action, and Organizations or activities that were affected by these actions. Additionally, a point of contact should be identified who can explain changes in the established variances. An example for, a fluctuation in Imminent Danger Pay might be, "XX% variance due to Scheduled Operation Iraqi Freedom Brigade troop rotation. "YY" number of troops deployed at a cost of "ZZ", Smith, 703-123-4567, ssmith@wherever.mil." Each Component should establish additional criteria for validation and analysis, based on their individual requirements.

C. Cost Capture

1. Each organization supporting a contingency operation is required to capture and report all related obligations and disbursements at the lowest possible level of the organization. Actual costs, as reflected in the accounting systems or subsidiary accounting records, should be reported. This activity provides tracking of obligations and disbursements for affected appropriations.

2. It is up to the DoD Component to develop adequate measures to allow for capturing actual costs from the official accounting records. Procedures could include establishing unique coding or establishing subsidiary accounting records for use during the contingency operations that will allow it to provide accurate reports to the Department's CBS. When actual costs are not available, an auditable methodology should be established and documented for capturing costs.

2310 BILLING

231001. General

DoD Components determine their billable incremental costs. Billable incremental costs will be less than the full incremental cost when the performing DoD Component has determined to supplement or enhance their support beyond the level agreed to by the requesting organization. The DoD Component headquarters are responsible for transmitting to DFAS-DE, on a monthly basis, a Contingency Operations Cost Report, standardized SF 1080 for each UNLoA or incurred cost for which payment is requested, and sufficient supporting documentation such as receipts, invoices, copies of requisitions approved by the organization supported (e.g., UN, State Department, or other), when required by the billed organization.

A. DFAS-DE is designated to administer centralized billing and reimbursement distribution activities in support of contingency operations. For the billing function, DFAS-DE shall consolidate the bills from the Components for monthly transmittal to the U.S. Mission to the UN (USUN) or other organizations, as required, along with copies of the Component Contingency Cost Reports. In addition, DFAS shall prepare a monthly status report on amounts billed and reimbursements received for each applicable peace operation. Only billable costs shall be submitted to applicable agencies or international organizations in accordance with the provisions of sections 607 and 630 of the Foreign Assistance Act (FAA), other applicable U.S. statutes, and requirements of the organization being billed.

B. The billing information transmitted by the DoD Components shall include sufficient supporting documentation to satisfy the payee of the validity of the charges. Detailed lists of transactions supporting the amount billed shall be included with each bill rendered.

C. With respect to services and commodities provided under section 607 of the FAA, the Department may spend only those reimbursements received within 180 days after the end of the fiscal year in which the costs were incurred. Payments received subsequent to the 180 days shall not be available to defray the costs already incurred by the Department in providing the requested assistance. Payments received for assistance provided under the UN Participation Act and unsolicited payments received from the UN for UN Determined Costs for Participating Troops to UN peacekeeping operations shall be credited to the account or accounts that incurred the costs being reimbursed or the accounts currently available for such purposes. Given the legal restrictions on the use of reimbursed expenses, and to ensure timely recoupment of reimbursable costs to the Department, it is incumbent that each DoD Component identify and report on a timely basis all reimbursable billable expenses to DFAS-DE with sufficient supporting documentation as required by the billed organization.

231002. DoD and Non-DoD Transportation Rates for Contingency Operations

DoD airlift provided in support of UN humanitarian assistance, peacekeeping support, and disaster relief efforts shall be billed at the DoD transportation rate (http://www.dtic.mil/comptroller/rates/). This rate is comparable to commercial rates for similar transportation services. Charges for DoD airlift transportation support provided to other U.S. government agencies pursuant to the Economy Act, 31 U.S.C. 1535, shall be billed at the non-DoD rate.

231003. UN Process

The UN reimburses contributing countries for the costs of their activities in accordance with its standard procedures as covered in the UN Guidelines to Contributing Governments, Aides-Memoire to the agreement, Notes Verbal, and specific and general LoAs. The UN should approve all elements of national contributions and the extent of reimbursement prior to an actual deployment, if possible. Therefore, activities undertaken, troops deployed, or costs incurred for items which are not agreed to in advance by the UN, as identified and detailed in the Guidelines, Aides-Memoire, Notes Verbal, or specific or general LoAs, normally will not be reimbursed by the UN. Only expenditures in support of an operation approved by the UN Security Council, and authorized by the General Assembly as a legitimate charge to the UN, are eligible for reimbursement. Costs related to deployment and sustainment of forces and equipment, and rotation of personnel (but not equipment) of contributing countries, based on prior agreement with the UN, are eligible for reimbursement by the UN through UN standing procedures. Financial responsibilities normally shall be included as part of the agreement between the contributing countries and the UN and shall include the details of the financial responsibilities of each party. The U.S. position normally is negotiated by the Department of Defense in coordination with the Department of State. Since costs billable to the UN may differ from the incremental costs incurred, both shall be reported. The following addresses billing procedures and allowable costs for each major type of financial arrangement.

A. UN Letters of Assist (UNLoA)

1. A UNLoA is a document, issued by the UN to a contributing government, which authorizes that government to provide goods or services to the UN. A UNLoA typically details specifically what is to be provided by the contributing government and establishes a funding limit that cannot be exceeded for that specific UNLoA. General support UNLoAs can be negotiated with the UN, if such UNLoAs are advantageous to both parties, to cover more generic categories such as subsistence, POL, sustainment, and spare parts. The UNLoAs are considered by the UN to be contracting documents and shall be signed and issued by an authorized UN official. More than one item can be included in a UNLoA.

2. The approved UNLoA is issued by the UN to the U.S. Mission to the UN (USUN) where it is acted on by the Military Advisor to the Ambassador. The Office of the Military Advisor (USUN/OMA) determines the appropriate U.S. agency (DoD or State) to receive the request. For the Department of Defense, all requests should be forwarded to OUSD(P) for approval and action. The Office of the USD(P) shall determine the appropriate action organization, and will provide a copy of the UNLoA to that organization and DFAS-DE. DFAS-DE is responsible for maintaining a status report on all active LoAs.

3. The UNLoA is not considered a funded order, and the UN ordinarily does not provide an advance of funds for the value of the request. Therefore, a UNLoA shall not give a DoD Component any additional obligational authority to accomplish the order. The appropriate action office in the DoD Component shall accomplish the action using existing operation and maintenance funds or other appropriated funds, and prepare an SF 1080 bill for the cost of the goods or services provided, referencing the appropriate UNLoA. No Working Capital Fund is authorized to be used to support these operations when funds are not provided to the Working Capital Fund activity. The SF 1080 is forwarded to DFAS-DE along

with sufficient detailed documentation and a Contingency Operations Cost Report to support the bill. All bills shall include adequate documentation for accountability and certification. DFAS shall verify the UNLoA number and item for which a bill is being submitted, summarize these in a separate attachment, and forward the bill to the USUN Mission for submission to the UN.

B. Non Letters of Assist - U.S. Invoiced Costs. These include recoverable costs of specific support or items requested by the UN, or approved by the UN, in support of a peace operation mission for which a specific itemized bill can be submitted to the UN based on the Aide-Memoire guidelines for participating countries, as described below.

1. Predeployment Actions. Preparation of personnel and equipment for deployment is the responsibility of the contributing country, and includes all preparation costs involved to get the personnel or equipment to the point of embarkation. Billing the UN for reimbursement of these expenses will be based on advance negotiations with the UN. Costs associated with preparing authorized equipment to additional standards defined by UN for deployment to a mission (such as painting, UN marking, winterizing) are the responsibility of the UN. Similarly, costs for returning authorized equipment to national stocks at the conclusion of a mission (such as repainting to national colors) also are the responsibility of the UN. Costs shall be assessed and reimbursed on presentation of a claim based on the authorized equipment list contained in the contribution agreement.

2. Deployment and Redeployment Actions. Transportation to and from the mission area normally shall be by airlift or sealift, as required. Normally, the UN will organize all deployments and redeployments. These activities may be organized by the troop contributing government, but the arrangements must be agreed upon by the UN in advance. All transportation to be provided by the troop contributing country should be coordinated and approved by the UN. If reimbursement is requested, it shall be made only up to the amount it would have cost the UN to accomplish the move.

3. Self-Sustainment. The UN normally is required to provide services to troop-contributing countries. Should the UN not be able, or not wish, to provide the services, it can request a troop-contributing country to provide those services. Services which the UN can request are set out in the UN Contingent-owned Equipment Manual and Procedures (these include services such as catering, communications, minor engineering, explosive ordnance disposal, laundry and dry cleaning, tentage, medical, NBC protection, and other services). Only those services specifically requested will be reimbursable monthly at the indicated rate, on a troop strength basis, to the limits indicated in the agreement with the troop-contributing country.

4. Major Equipment, Minor Equipment and Consumables Reimbursement. Reimbursement for major equipment is provided under established rates whereby the contributing country is reimbursed for both equipment and maintenance (wet lease), or for equipment only, with the UN assuming responsibility for maintenance (dry lease). Minor equipment and consumables are reimbursed as self-sustainment based upon troop strength. Reimbursement is dependent upon verification that the major equipment, and associated minor equipment and consumables, provided meet the undertaking of the troop-contributing country in its agreement with the UN. The UN has established performance standards so that it can verify that a troop-contributing country has met its obligations and that equipment provided is in acceptable operational order.

5. Arrival Inspection. An arrival inspection will occur immediately upon arrival, and should be completed within one month. Major equipment will be inspected to ensure that categories, groups, and number delivered correspond with the bilateral agreement and are operational. A troop-contributing country representative should explain and demonstrate the agreed self-sustainment capability. Self-sustainment will be inspected with a view to an assessment of the operational equipment and services. The UN will give an account of the services to be provided in the agreement.

6. Operational Readiness Inspection. This inspection of the contingent in the mission area shall be conducted at least once during every 6-month period, or any time when the USUN Mission believes that the equipment or services do not meet standards. The condition of the major equipment shall be inspected, and self-sustainment capability ascertained with a view to assessing whether the sustainment capability is sufficient and satisfactory.

7. Repatriation Inspection. This inspection shall account for all major equipment of the troop-contributing country to be repatriated and verify the condition of the major equipment provided under the "Dry Lease" arrangement. The inspection also shall ensure that no UN owned equipment is part of the equipment repatriated.

8. Reporting Procedures. The USUN Mission shall report to the UN Headquarters the results of all inspections. The reports shall indicate shortcomings in equipment and self-sustainment, and efforts made at mission level to rectify the situation and to bring the contingent in line with the terms of the agreement. Each month the Mission shall submit a report to the Secretariat confirming the mission strength. The monthly report shall indicate the condition of major equipment and self-sustainment.

9. Deployment, Redeployment and Rotation. The UN is responsible for the deployment and redeployment (including regular rotation) of contingent personnel authorized in the Contribution Agreement. The UN normally will make the necessary arrangements with the troop-contributing country and appropriate carriers. When a troop-contributing country offers to provide transportation, the UN may request the troop-contributing country to provide the transportation to and from the mission area under the terms of a UNLoA. The cost for rotation of troops is normally reimbursed on a 6-month basis. Rotation of equipment will not be reimbursed since it is assumed equipment will stay in the area of operation for the length of the operation.

C. Leases. Leases to the UN shall be managed by the DSCA, which also is responsible for developing requested Price and Availability data to include preparation and transportation costs, with applicable input from the affected Military Component. Development of leases for DoD equipment (major end items) shall follow normal procedures in Security Assistance Management Manual, Chapter 12, which are governed by the Arms Export Control Act (AECA). Payments from the UN related to the true lease of equipment, as governed by the AECA, revert to the miscellaneous receipts account of the U.S. Treasury. Ancillary costs related to the lease, such as preparation and shipment costs, are governed by section 607 of the FAA, as are the provision of support and services associated with a lease. Reimbursements or payments received under section 607 authority may be credited back to the Component providing the goods or services if

reimbursement is received within 180 days after the end of the fiscal year in which the support was provided. Otherwise, these payments revert to the U.S. Treasury.

D. UN Determined Costs. The UN provides reimbursement at standard rates established by the General Assembly in respect to pay and allowances of military personnel detailed or assigned to the UN to participate in a UN operation. The UN reimburses participating countries without a specific request for payment. The UN determines the number of troop days for which payment will be made based upon USUN Mission reporting of troop strength. No billing is required.

1. Payments by the UN are made directly to DFAS. The State Department receives notification from the UN of a pending reimbursement. Prior to reimbursement by the UN, the State Department transmits this information to the Office of the USD(P), along with the operation(s), time covered, and number of troop months allowed by the UN. The UN estimate is validated by the Joint Staff and the Service Components and directions are provided to the UN through the State Department regarding disposition of the reimbursement.

2. Upon validation of the estimate, the UN processes two checks: one to the DoD (DFAS-DE) at an approved rate per person/month, as determined by the OUSD(C), to cover the incremental military personnel and related costs incurred by the DoD; and a second to the State Department, representing the difference between the UN standard rate and the amount paid to the Department of Defense. For distribution of the DoD funds, Office of the USD(P) makes an assessment of DoD Component manpower deployed during the timeframe covered by the UN payment, and directs DFAS-DE to make the appropriate distribution to the DoD Components, as applicable.

3. The UN pays directly to contingent personnel participating in the peacekeeping mission a daily allowance of $1.28 plus a recreational allowance of $10.50 per day for up to seven days of leave taken for each 6-month period. DoD has determined that receipt of this allowance by U.S. military personnel is appropriate. Accordingly, U.S. military personnel do not receive this allowance.

2311 REIMBURSEMENT/DISTRIBUTION

UN Process. Within 90 days of receipt of an SF-1080 and supporting documentation from the USUN Mission, the UN will confirm with the appropriate UN organization that the goods or services were received, consolidate payment, and forward a check to DFAS-DE. DFAS-DE will distribute funds to appropriate recipients.

2312 NONCOMBATANT EVACUATION OPERATIONS (NEO)

231201. Protection of U.S. Citizens and Nationals

Upon receipt of a request from the President, or the Department of State, the Department will protect U.S. citizens and nationals and designated other persons, and assist in evacuating these persons from threatened areas overseas. In accordance with Executive Order 12656, as amended on February 9, 1998, the Department is authorized to deploy and use military forces to protect U.S. citizens and nationals and designated other persons in support of their evacuation

from threatened areas overseas. The Department of State has the lead responsibility for such evacuations.

231202. Memorandum of Agreement (MOA)

The MOA between the Departments of State and Defense, "DOS/DoD Cost Responsibility Matrix and Definitions," dated September 2, 1997, defines departmental cost responsibilities when an evacuation occurs. The content of the MOA is included at Annex 2 and shall be used to determine all NEO cost responsibilities. In general, DoD will fund protection-related costs and DOS will fund evacuation-related costs. The DoD Component supporting the protection operation shall fund the costs of its deployment, unless otherwise specified.

231203. Cost to Transport DoD Noncombatants

In accordance with 31 U.S.C. 1535 (the Economy Act), all costs incurred by the DoD to assist in evacuating personnel from threatened areas are billable and reimbursable, except for the costs to transport DoD noncombatants to safe havens. If, however, the Department of State incurs costs for transporting DoD noncombatants to safe havens, the applicable DoD Component shall reimburse the Department of State for those costs.

231204. Contingency Operations Cost Report

After the evacuation is completed, the finance and accounting office of the supporting DoD Component shall collect the cost data and submit the following documents, through its Component Senior Financial Manager, to DFAS-DE: an SF-1080 for all reimbursable evacuation costs, supporting cost documentation (e.g., flying hours, medical costs, or food for evacuees), and a Contingency Operations Cost Report. DFAS-DE shall consolidate, validate, and submit the bills for reimbursement to the Department of State, Attn: Bureau of Finance and Management Policy; Washington, DC 20520-7427.

2313 FOLLOW-UP

In the event that billed organizations require additional information relating to submitted bill(s), DFAS-DE shall interface with the billed organization to ensure that the necessary information is provided by the appropriate Component.

2314 LARGE SCALE CONTINGENCIES

231401. Preparing Budget Estimations Guidance

DoD may be involved in a range of operations from very large to small scale contingencies. The following guidance is to be used in addition to that found throughout this regulation for purposes of preparing budget estimations, cost reporting and billing associated with large-scale, campaign level, contingency operations.

231402. Costs Related to a Contingency Operations

During large-scale contingencies costs related to a contingency operation may be incurred in both the area of responsibility (AOR) and in other locations to include home station. Additionally, because of the scale of operations, including intense combat or long-term stability or anti-insurgency operations, expenses beyond only direct incremental costs may be appropriate on a case by case basis in written coordination with OUSD(C). They can relate directly to operations in the AOR or be required as a result or consequence of the operations such as reconstitution activities (to replenish stocks, replace battle losses, or worn equipment or systems), depot maintenance and other supporting actions. In addition, during large-scale, campaign-level contingencies, these special funding authorities are often provided by the Congress in support of the operation. These may include special Train and Equip, Coalition Support, Humanitarian assistance or other programs. It is the responsibility of the organization that incurs costs in support of the operation, directly or indirectly, to ensure that information on all incremental costs are captured and transmitted to the appropriate DoD Component Senior Financial Manager for forwarding to DFAS-DE, as appropriate.

231403. Determining Cost.

Components are required to report the obligation of all funds (regardless of source) to cover the incremental cost of the contingency, including funds received in a supplemental. Baseline costs should not be reported. The following guidelines are provided to assist the DoD Components in determining baseline and incremental costs for contingency operations.

A. Incremental Costs. In coordination with OUSD (C), DoD Component Senior Financial Managers shall determine incremental and billable costs. Incremental costs are additional costs to the DoD Component appropriations that would not have been incurred had the contingency operation not been supported. Incremental costs do not include the cost of property or services acquired by the Department that was paid for by a source outside the Department or out of funds contributed by such a source. The costs of investment items, construction costs, and costs incurred to fix existing shortcomings can be categorized as incremental cost if the expenditures were necessary to support a contingency operation and would not have been incurred in that fiscal year in the absence of the contingency requirement. Costs incurred beyond what is reasonably necessary to support a contingency operation cannot be deemed reimbursable incremental expenses, since such costs are not directly attributable to support of the operation. Incremental costs may be recorded against supplemental funding, baseline funding, or any source of funds. Base budget funding diverted to pay incremental costs in support of contingency operations are not the same as baseline costs.

B. Baseline Costs. Baseline costs are the continuing annual costs of DoD operations funded by the Components base appropriations. Baseline costs are those costs that would be incurred whether or not the Component is participating in a contingency operation.

C. Service-Specific Costs. Service-specific costs for increased OPTEMPO, such as steaming costs for the Navy or Service flying hours should be determined as accurately as possible based on “official” accounting data. Such costs, however, due to the complexity of the operation may require individual determinations on a case by case basis. Reported incremental costs shall reflect, as closely as possible, the actual incremental costs incurred by the

unit involved in the specific operation, using cost factors for the specific command or geographic area, when available, as compared to composite cost factors for the overall DoD Component.

231404. Spending Constraints

Each DoD Component shall ensure that detailed guidance is disseminated to the appropriate subordinate organization levels to ensure the accuracy and reporting of costs. The DoD Components are responsible to employ a fiduciary approach to ensure that the funds are used in a prudent manner. As operations mature, steps should be taken to evaluate and establish spending constraints.

ANNEX 1

CONTINGENCY OPERATIONS COST REPORT
OPERATION (Title/Country)
Report Period
(Incremental Costs in Thousands of Dollars)
Components Name or Acronym

		Monthly	Cumulative
1.0	PERSONNEL COSTS COSTS		
1.1	Military Personnel	-	-
1.1.1	Reserve Components Called to Active Duty	-	-
1.1.2	Imminent Danger or Hostile Fire Pay	-	-
1.1.3	Family Separation Allowance	-	-
1.1.4	Hardship Duty Pay	-	-
1.1.5	Subsistence	-	-
1.1.6	Reserve Component Predeployment Trng	-	-
1.1.7	Other Military Personnel (Special Pay)	-	-
1.1.8	Active Component Overstrength	-	-
	Subtotal		
1.2	Civilian Personnel	-	-
1.2.1	Civilian Premium Pay		
1.2.2	Civilian Temporary Hires	-	-
	Subtotal	-	-
		-	-
TOTAL PERSONNEL		-	-
		-	-
2.0	PERSONNEL SUPPORT COSTS		
		-	-
2.1	Temporary Duty (TDY)/Additional Duty (TAD)	-	-
2.2	Clothing & Other Equipment & Supplies	-	-
2.3	Medical Support/Health Services	-	
2.4	Reserve Component Activation/Deactivation	-	-
2.5	Other Personnel Support	-	-
2.6	Rest and Recreation	-	
TOTAL PERSONNEL SUPPORT		-	-
		-	-
3.0	OPERATING SUPPORT COSTS	-	-
3.0	Training	-	-
3.2	Operation OPTEMPO (Fuel, Other POL, Parts)	-	-
3.3	Other Supplies & Equipment	-	-
3.4	Facilities/Base Support	-	-
3.5.1	Organization Level Maintenance	-	-
3.5.2	Intermediate Level Maintenance	-	-
3.5.3	Depot Level Maintenance	-	-
3.5.4	Contractor Logistics Support	-	-
3.6	C4I	-	-
3.7	Other Services/Miscellaneous Contracts	-	-
TOTAL OPERATING SUPPORT		-	-
4.0	TRANSPORTATION COSTS	-	-
4.1	Airlift	-	-
4.2	Sealift	-	-
4.3	Ready Reserve Force/Fast Sealift Ships	-	-
4.4	Port Handling/Inland Transportation	-	-
4.5	Other Transportation	-	-
4.6	Second Destination Transportation	-	-
TOTAL TRANSPORTATION		-	-

		Monthly	Cumulative
5.0	WORKING CAPITAL FUND SUPPORT		
5.1	Depot Level Repairables	-	-
5.2	Depot Maintenance	-	-
5.3	Nonflying Hours Spares (War Reserve Stock)	-	-
5.4	War Reserve Stock Secondary Items	-	-
5.5	Prepositioning Equipment Replacement (War Reserve Stock)	-	-
5.6	Prepositioning Munitions Replacement (War Reserve Stock)	-	-
5.7	Battle Damage Repair	-	-
		-	-
TOTAL WORKING CAPITAL FUND SUPPORT		-	-
6.0	INVESTMENT COSTS		
6.1	Procurement		
		-	-
6.1.1	Aircraft Procurement	-	-
6.1.2	Munition Procurement	-	-
6.1.3	Vehicle Procurement		-
6.1.4	Communication & Electronic Equipment Procurement	-	
6.1.5	Other Procurement		-
	Subtotal	-	
			-
6.2	Research, Development, Test & Evaluation		-
6.1.1			
6.2.1	Basic Research	-	-
6.2.2	Applied Research	-	-
6.2.3	Advanced Technology Development	-	-
6.2.4	Adv. Component Development & Prototype		-
6.2.5	System Development and Demonstration	-	-
6.2.6	Management Support	-	-
6.2.7	Operational System Development	-	-
	Subtotal	-	-
		-	-
6.3	Military Construction	-	-
		-	-
6.3.1	Major Construction	-	-
6.3.2	Minor Construction	-	-
6.3.3	Family Housing (Construction)	-	-
6.3.4	Family Housing (Operation and Maintenance	-	-
	Subtotal	-	-
TOTAL INVESTMENT		-	-

TOTAL COSTS BY APPROPRIATION	Monthly	Culmulative
Military Personnel	-	-
Operation and Maintenance	-	-
Working Capital Fund	-	-
Investment	-	-
Other	-	-
TOTAL BY APPROPRIATION	-	-

1/ Separately identify offsets to Reserve and Guard accounts due to Reserve/Guard call-up to active duty. Reserve personnel called to active duty shall be funded from the active duty appropriation. Also identify separately other offsets (e.g., training not accomplished, BOS not required, supplies returned/not utilized, nonmonetary contributions, such as free fuel, as applicable).

2/ To include dependents (per diem/transportation for NEO or safehaven support): The DoD Component military pay and permanent change of station accounts have been designated fund cites for military dependent evacuations. Related transportation costs addressed here are those from the repatriation center to the evacuees' final safehaven locations. (If CONUS is the designated safehaven, all dependents shall be brought to a repatriation center for processing, then provided additional transportation to a final safehaven location). These costs are separate from the airlift/sealift provided by the DoD or the Department of State for noncombatants during the evacuation; those costs would be reported under Operation and Maintenance, Transportation.

3/ The most current manpower data is to be included in the monthly reports to provide a basis for funds distribution for potential United Nations determined cost reimbursements.

ANNEX 2

EVACUATIONS
Department of State/Department of Defense
Cost Responsibility Matrix and Definitions

	Evacuation/Protection Cost Responsibility
Evacuation Related Costs: 1/	
A. Evacuee transportation/backhaul	State
B. Landing fees	State
C. Positioning of evacuee transportation assets solely for evacuation	State
Protection Related Costs: 2/	
D. Positioning of transportation assets when assets are to be used for protection and evacuation	DoD
E. Special Pays (Imminent Danger, etc.)	DoD
F. Protection Forces (including all support)	DoD
G. Deploy/redeploy/reconstitute protection element	DoD
H. Protection of evacuees/DoD assets & personnel	DoD
I. Tactical Airlift Control Element	DoD
J. Per Diem	DoD
K. Communications	DoD
L. NEO command structure	DoD

1/ If other evacuation efforts are requested specifically by the Department of State, those efforts shall be billed under the Economy Act (31 U.S.C. 1535).

2/ If other protection efforts are performed during an evacuation, the associated costs shall be borne by DoD.

VOLUME 12, CHAPTER 24: "BURDENSHARING AND OVERSEAS RELOCATION CONTRIBUTIONS BY FOREIGN ALLIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by a * preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated October 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
240401.A.	Pursuant to Treasury FAST Book, additional Treasury account established for United Kingdom burdensharing contributions.	Add

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CHAPTER 24

BURDENSHARING AND OVERSEAS RELOCATION CONTRIBUTIONS BY FOREIGN ALLIES

2401 INTRODUCTION

240101. Purpose

This chapter prescribes the overall policy and assigns responsibilities for the acceptance, receipt, use, and reporting of burdensharing and relocation monetary contributions to the Department of Defense (DoD) under Title 10, United States Code (U.S.C.), ***section 2350j*** and ***section 2350k***.

2402 RESPONSIBILITIES

240201. Under Secretary of Defense for (Policy) (USD(P))

The USD(P) has policy and management responsibility for burdensharing agreements or arrangements. In addition, the USD(P) will work with the Defense Finance and Accounting Service – Trust Funds Accounting and Reporting Division (TFAR) (DFAS-IN/JJAEAB) on burdensharing program requirements that impact DFAS responsibilities, as appropriate.

240202. Under Secretary of Defense (Comptroller) (USD(C))

A. The USD(C) serves as the single departmental point of contact with the Departments of State and Treasury for all matters involving the acceptance, receipt, administration and distribution of contributions of funds from foreign countries and organizations for burdensharing and relocation contributions.

B. The USD(C) is responsible for coordination and approval of military construction projects that are subject to Title 10 U.S.C., section 2350j. In addition, the USD(C) is responsible for reviewing and submitting to the Congress those reports required by Title 10 U.S.C., section 2350j and Title 10 U.S.C., section 2350k.

240203. Director of Defense Finance and Accounting Service (DFAS)

The DFAS Director is responsible for recording and reporting the collection of receipts for burdensharing and relocation contributions and for the distribution of receipts, as prescribed by the USD(C), in support of burdensharing and overseas relocation programs.

240204. Commanders of the Combatant Commands (CINCs)

The cognizant CINC is responsible for, but may delegate to subordinate commanders, the following responsibilities.

A. For burdensharing contributions for other than military construction projects, the cognizant CINC shall:

1. Notify the responsible DoD Component of anticipated contributions from foreign governments.

2. Identify a proposed distribution of funds to the approving authority.

3. Deposit funds received with the DFAS Field Activity located within the immediate overseas operating area or the Financial Services Office (FSO) if no DFAS Field Activity is located within the immediate overseas operating areas.

4. Prepare the necessary disbursing documentation for forwarding to the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

5. Submit reporting and control of funds information to:

DFAS Indianapolis Site
Trust Funds Accounting and Reporting Division (DFAS-IN/JJAEAB)
Room 315AA-1
8899 East 56th Street
Indianapolis, IN 46249-2801

Submit this information via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

6. Submit information on the amount and purpose of each contribution to:

Office of the OUSD(C)
Office of the Deputy Comptroller (Program/Budget) ODC(P/B)
Operations Directorate, Room 3C710, 1100 Defense Pentagon
Washington, DC 20301-1100

B. For military construction projects funded with burdensharing contributions, the cognizant CINC shall:

1. Initiate the military construction project proposals utilizing Defense Department (DD) Form 1391 (Justification of Military Construction Projects).

2. Submit for approval the justification material to:

OUSD(C), ODC (P/B)
Military Personnel and Construction Directorate
Room 3C654, 1100 Defense Pentagon
Washington, DC 20301-1100

3. Deposit contributions with the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

4. Ensure that ODC(P/B) Military Personnel and Construction Directorate approval has been received prior to disbursement of funds (see subparagraph 240204.B.2) via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

5. Prepare necessary disbursing documentation for forwarding to the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

6. Submit information to the DFAS-IN/JJAEAB (see subparagraph 240204.A.5) for reporting and control of funds purposes, via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

C. For all overseas relocation contributions, the cognizant CINC shall:

1. Notify the DFAS Trust Fund Accounting and Reporting Division (DFAS-IN/JJAEAB) that a contribution is expected.

2. Submit information on the amount and purpose of the contribution to the OUSD(C), ODC (P/B), Operations Directorate (see subparagraph 240205.A.6). Courtesy copies shall be provided to the Military Personnel and Construction Directorate when contributions are made for construction projects.

3. Deposit the funds with the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

4. Notify DFAS-IN/JJAEAB, via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area, at least 1 business day in advance of disbursements so securities can be sold to finance the payment.

5. Prepare the necessary disbursing documentation, for forwarding to the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

6. Submit information to the DFAS-IN/JJAEAB, for reporting and control of funds purposes, via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

240205. Assistant Secretaries of the Military Departments (Financial Management and Comptroller) (FM&C)

A. The cognizant Assistant Secretary (FM&C) has responsibility to review and approve the distribution of funds received from foreign countries and regional organizations for the purposes outlined in this Regulation. These responsibilities may be delegated below the Assistant Secretary level.

B. The Assistant Secretary of the Army (FM&C) is responsible for Korea and Kuwait.

C. The Assistant Secretary of the Air Force (FM&C) is responsible for Japan, except for the Realignment of Forces from Okinawa to Guam, wherein the Assistant Secretary of the Navy (FM&C) is responsible.

D. Distribution of contributions received from other countries, not specified above, shall be the responsibility of the Assistant Secretary (FM&C) whose Service will use the greater portion of the contribution.

2403 MONETARY CONTRIBUTIONS

240301. Notifications

A. The DoD Components shall notify the DFAS-IN/JJAEAB of all potential monetary contributions prior to acceptance of such contributions. All notifications shall indicate the applicable statute (i.e., Title 10 U.S.C., section 2350j for burdensharing contributions or Title 10 U.S.C., section 2350k for overseas relocation). Copies of all notifications shall be sent to the DFAS-IN/JAFB (see subparagraph 240204.A.5 for full address) via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

B. Within 5 working days after notification of anticipated receipt of funds from a country without a designated account, the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area, shall submit a request for a new Treasury account for that country to the address in subparagraph 240204.A.5.

C. TFAR will submit the necessary documents to the Department of the Treasury to establish the new account and shall send a copy of the information to the DFAS-IN/JJAEAB and the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

240302. Contributions

A. General

1. Monetary contributions shall be accepted for specific purposes as identified in section 2405 of this chapter.

2. If none of the accounts identified in section 2405 of this chapter apply, then contributions shall be credited to a DoD disbursing officer's suspense account using a DD Form 1131 (Cash Collection Voucher) for cash and check contributions. The DoD Component and/or DFAS Field Activity disbursing officer may request further guidance from the DFAS-IN/JAFB.

B. Contributions in Cash

1. The receiving DoD Component and/or DFAS Field Activity located within the immediate overseas operating area shall credit all cash contributions to one or more of the applicable DoD accounts as identified in section 2405 of this chapter.

2. Documentation associated with cash contributions, including copies of the DD Form 1131 and the original of any correspondence from contributors, shall be forwarded by the receiving DFAS Field Activity located within the immediate overseas operating area (or DoD Component activity if no DFAS Field Activity is located within the immediate overseas operating area) within 24 hours of deposit to the DFAS-IN/JJAEAB.

C. Contributions by Check

1. Checks received by DoD officials shall be made payable as described in accordance with Volume 5, Chapter 10. The reference line on the check shall identify the applicable burdensharing agreement or arrangement, or a copy of the agreement shall be attached.

2. Checks received by DoD officials shall be forwarded to the nearest DFAS Field Activity located within the immediate overseas operating area, or other DoD disbursing office if no DFAS Field Activity is located within the immediate overseas operating area, for processing within 24 hours of receipt. Such checks shall be credited to one or more of the applicable DoD accounts identified in section 2405 of this chapter.

3. Documentation associated with check contributions--including copies of checks, DD Forms 1131, deposit tickets and the original of any correspondence from

contributors--shall be forwarded by the receiving DFAS Field Activity located within the immediate overseas operating area, or other DoD Component activity if no DFAS Field Activity is located within the immediate overseas operating area, within 24 hours of deposit to the DFAS-IN/JJAEAB.

D. Contributions by Wire Transfer

1. Contributions by wire transfer are preferred since they eliminate delays in receiving deposits and should provide the most efficient preliminary accounting information for receipt distribution purposes. Wire transfers shall be credited to one or more of the applicable DoD accounts identified in section 2405 of this chapter.

2. Contributors may make contributions to the Department via electronic funds transfer from commercial banks to the Federal Reserve Bank of New York (as Fiscal Agent of the United States). The Federal Reserve Bank of New York shall credit the Department. Any exceptions shall be documented within the international agreements and coordinated with the USD(C), or designee.

3. Documentation associated with wire transfer contributions, including the original of any correspondence from contributors, shall be forwarded within 24 hours of the deposit to the DFAS-IN/JAFB.

E. Contributions in Foreign Currencies (Cash or Check).

When a DoD Component becomes aware of a planned, large contribution ($1 million or more) to be made in a foreign currency, the cognizant DFAS Field Activity or DoD Component official shall:

1. Request that the contributor give as much advance notification as possible regarding the amount of the contribution and the estimated date that the contribution will be made.

2. Advise the DFAS-IN/JJAEAB of any planned contributions and continue to keep that office advised of the status until the contribution is received.

3. Except as described in subparagraph 240402.E.6, the contributor should transfer the foreign currency credit to the Federal Reserve Bank of New York via the contributor's central bank. If the Federal Reserve Bank does not maintain a relationship with a particular central bank, the DoD Component or DFAS Field Activity located within the immediate overseas operating area shall seek guidance from the DFAS-IN/JJAEAB for appropriate alternative arrangements, including the use of limited depositary accounts.

4. Cash and checks received by DoD officials in countries not served by DoD disbursing officers shall be delivered to the nearest U.S. Embassy within 24 hours of receipt for credit in one or more of the applicable DoD accounts identified in section 2405 of this chapter. If none of the accounts identified in section 2405 of this chapter applies, then all cash

and checks shall be credited to an Embassy disbursing officer's suspense account. The Embassy disbursing officer or representative shall request further guidance from the DFAS-IN/JJAEAB. Documentation associated with the contribution, including copies of deposit tickets and appropriate collection voucher, shall be forwarded within 24 hours to the DFAS-IN/JJAEAB.

5. Except as described in subparagraph 240302.E.6, all contributions received in foreign currencies shall be converted to U.S. dollars at the prevailing rate of exchange at the time that the deposit is made.

6. Where international arrangements require the retention of the currency in limited depository accounts for local disbursement in that currency, the deposits shall be calculated and recorded (not converted) in terms of equivalent dollar value based on the prevailing rate of exchange. (See Volume 5, Chapter 13, for additional information.)

2404 ACCOUNTING

240401. Burdensharing

Burdensharing contributions shall be credited to one or more of the special fund accounts listed below which have been established in the U.S. Treasury for monetary contributions accepted by the Secretary of Defense or designee under Title 10 U.S.C., section 2350j.

A. Special Fund Receipt Accounts

97_5441.001	Burdensharing Contribution, Defense, Kuwait
97_5441.003	Burdensharing Contribution, Defense, Japan
97_5441.004	Burdensharing Contribution, Defense, South Korea
97_5441.005	Burdensharing Contribution, Defense, Qatar
97_5441.006	Burdensharing Contribution, Defense, United Kingdom

B. Special Fund Expenditure Account

97X5441	Expenditures (Only)

240402. Overseas Relocation

Relocation contributions shall be credited to one or more of the following trust fund accounts which have been established in the U.S. Treasury for monetary contributions accepted by the Secretary of Defense or designee under Title 10 U.S.C., section 2350k.

A. Trust Fund Receipt Accounts

97_8337.001	Contributions from Kuwait, Host Nation Support for U.S. Relocation Activities
97_8337.003	Contributions from Japan, Host Nation Support for

U.S. Relocation Activities
97_8337.004 Contributions from South Korea, Host Nation Support for U.S. Relocation Activities
97_8337.005 Contributions from Qatar, Host Nation Support for U.S. Relocation Activities

B. Trust Fund Expenditure Account

97X8337 Expenditures (Only)

C. The DFAS disbursing office or FSO shall transmit copies of deposit tickets for these investments to the DFAS-IN/JJAEAB. For tracking and computation of interest, contributions shall be tracked along with the earnings on each investment by country.

2405 AVAILABILITY OF CONTRIBUTIONS

240501. Burdensharing Contributions

A. Burdensharing contributions shall be available only for the payment of the following costs:

1. Compensation for the Department's local national employees,

2. Supplies and services required by the Department, and

3. DoD military construction projects.

a. USD(C) or designee written approval is required for the use of such contributions to carry out a military construction project that is consistent with the purposes for which the contributions were made and not otherwise authorized.

b. Such approval is also conditional upon a 21-day notice to the Congress as described in subparagraphs 240601.D and 240601.E.

B. Burdensharing contributions normally shall be available only for the payment of costs in the country making the contribution. Local disbursement of burdensharing funds is authorized. In accordance with ***Title 10 U.S.C. 2350k***, "out-of-country" expenditures shall be made only with the agreement of the contributing country and only for costs that are directly related to U.S. military activities in the contributing country.

C. If burdensharing contributions are to be used for personnel costs or supplies and services, prior approval of the cognizant Assistant Secretary (FM&C) or designee (such as the U.S. Forces Korea) is necessary before the expenditure of funds.

1. The organization receiving the funds shall submit the proposed distribution of the funds to the cognizant Assistant Secretary (FM&C) for approval.

2. The cognizant Assistant Secretary (FM&C) shall review the proposed distribution and, if approved, transmit the approved distribution to the DFAS-IN/JAFB, as well as to the submitting field component.

3. The field component shall prepare the necessary documentation to effect the disbursement of funds.

D. If the Department decides to use burdensharing contributions for a military construction project, the cognizant CINC shall forward a coordinated project proposal for approval to OUSD(C), ODC(P/B), Military Personnel and Construction (See subparagraph 240204.B.2.) Once the necessary coordination and approval process has been completed, the Military Personnel and Construction Directorate shall submit a report to the congressional defense oversight committees. The following information shall be included in the proposal:

1. An explanation of the need for the project,

2. The estimated cost of the project, and

3. A justification for carrying out the project.

E. The Department may not commence a military construction project until the end of a 21-day period that begins on the date that the OUSD(C) submits the required report to the appropriate congressional defense oversight committees.

240502. Relocation Contributions

A. Relocation contributions are available only for costs incurred in connection with the relocation for which the contribution was made. Costs include:

1. Design and construction services;

2. Transportation, packing, unpacking, handling and storage;

3. Communications services;

4. Supply and administration;

5. Personnel costs (including TDY expenses and excluding salaries of permanently assigned military personnel); and,

6. Other expenses that are related directly to the relocation.

B. The organization receiving the relocation contribution shall submit information on the amount and the purpose of the contribution to the OUSD(C), ODC (P/B), Operations Directorate (see subparagraph 240204.A.6.) Courtesy copies shall be provided to the

Military Personnel and Construction Directorate (see subparagraph 240204.B.2.) when contributions are made for construction projects.

C. The organization receiving the contribution is responsible for preparing the necessary documentation for the disbursing transaction. The DFAS-IN/JJAEAB, however, shall be notified at least 1 business day in advance of disbursement so securities can be sold to finance the payments. The date of each payment and the specific country's funds being utilized must be identified.

2406 REPORTING REQUIREMENTS

240601 Amount and Purpose for Expended Contributions

No later than 10 days after the end of each fiscal year, the DoD Components shall report, to the DFAS-IN/JAFB, the amount of and the purpose for expended contributions.

240602 Report for Defense Congressional Oversight Committees

No later than 20 days after the end of each fiscal year, the DFAS-IN/JJAEAB shall prepare and forward to the OUSD(C), ODC (P/B), Operations Directorate, a report for submission to the applicable defense congressional oversight committees. Those committees are: the Committees on Armed Services of the House of Representatives and the Senate, and the Committees on Appropriations of the House of Representatives and the Senate. The report shall include the following information for each country and regional organization from which contributions were accepted:

A. The amount of the contribution accepted during the preceding fiscal year under Title 10 U.S.C., sections 2350j and 2350k, and the purposes for which the contributions were made, and

B. The amount of the contributions expended during the preceding fiscal year under Title 10 U.S.C., sections 2350j and 2350k, and the purposes for which the contributions were expended.

VOLUME 12, CHAPTER 25: "DISPOSITION OF NON-DOD PERSONAL PROPERTY"

SUMMARY OF MAJOR CHANGES

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Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated December 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2501	Revised hyperlinks.	Revision

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CHAPTER 25

DISPOSITION OF NON-DOD PERSONAL PROPERTY

2501 GENERAL

This chapter prescribes the policies, procedures, and requirements for the disposition of lost, abandoned or unclaimed non-Department of Defense (DoD) personal property and the personal property of deceased members of the Armed Forces. These requirements, policies, and procedures are in accordance with Title 10 of the United States Code, sections ***2575***, ***4712***, ***6522*** and ***9712***, and are required when disposing of non-DoD personal property under the jurisdiction of a Military Department.

2502 DISPOSITION OF UNCLAIMED PROPERTY

250201. General Policy

Military Departments may, by public or private sale or otherwise, dispose of all lost, abandoned or unclaimed personal property that comes into custody or control. Property subject to section 250203 is exempted from the requirements. Procedures for the disposition of personal property of deceased members of the Army and Air Force are in section 2503. Procedures for the disposition of personal property of deceased members of the Navy and Marine Corps are in section 2504.

A. Property may not be disposed of until a diligent effort has been made to find the owner (or the heirs, next of kin, or legal representative of the owner). A diligent effort to find the owner (or the heirs, next of kin, or legal representative of the owner) shall begin, to the maximum extent practicable, not later than 7 days after the date on which the property comes into the custody or control of the Military Department having immediate jurisdiction and should continue for a period of 45 days, unless the owner (or the heirs, next of kin, or legal representative of the owner) is found sooner.

B. Notice of the time and place of the intended sale or other disposition must be sent by certified or registered mail to the applicable owner (or heirs, next of kin, or legal representative of the owner) at their last known address. If the owner (or the heirs, next of kin, or legal representative of the owner) is determined but not found, the property may not be disposed of until the expiration of 45 days after the date the notice is sent to the owner (or the heirs, next of kin, or legal representative of the owner).

C. When a diligent effort to determine the owner (or heirs, next of kin, or legal representative of the owner) is unsuccessful, the property may be disposed of without delay. If the property has a fair market value of more than $300, it may not be disposed of until 45 days after the date it is received at the point of storage.

250202. Distribution of Proceeds

The proceeds from the sale of lost, abandoned, or unclaimed personal property found on a military installation, shall be credited to the operation and maintenance account that funds the operations of that installation and be used to reimburse the installation for any costs incurred during the collection, transporting, storage, protection, or selling of the property. Any proceeds which remain after the reimbursement of installation expenses shall be utilized to support morale, welfare, and recreation activities under the jurisdiction of the armed forces that are conducted for the comfort, pleasure, contentment, or physical or mental improvement of members of the armed forces at such installation. The net proceeds from the sale of other property under paragraph 250201 shall be deposited into the Treasury as miscellaneous receipts.

250203. Restrictions

No property covered by this section may be delivered to the Armed Forces Retirement Home by a Military Department, except papers of value, sabers, insignia, decorations, medals, watches, trinkets, manuscripts, and other articles valuable chiefly as keepsakes.

250204. Claims for Proceeds

The owner (or heirs, next of kin, or legal representative of the owner) of personal property whose proceeds were credited to a military installation may file a claim with the Secretary of Defense for an amount equal to the proceeds less costs referred to in paragraph 250202. Amounts to pay the claim shall be drawn from the morale, welfare, and recreation account for the installation that received the proceeds. Unless a claim is filed under this section within 5 years after the date of the disposal of the property to which the claim relates, the claim may not be considered by either the Secretary of Defense or a court. The responsibility of the Secretary of Defense to consider such claims has been delegated to the Under Secretary of Defense (Personnel and Readiness).

2503 ARMY AND AIR FORCE PROCEDURES FOR DISPOSITION OF PERSONAL PROPERTY OF DECEASED MEMBERS

250301. General Policy

Upon the death of a person subject to military law and under the jurisdiction of the Army or Air Force, or upon the death of a resident of the Armed Forces Retirement Home; the commanding officer shall permit the legal representative or the surviving spouse of the deceased, if present, to take possession of the effects of the deceased that are then in camp, air base, or quarters. If there is no legal representative or surviving spouse present, the commanding officer shall direct a summary court-martial to collect the effects of the deceased that are then in camp, air base, or quarters. The summary court-martial may collect debts due the decedent by local debtors, and pay undisputed local creditors of the deceased (to the extent permitted by the monetary assets of the deceased in the court's possession). Receipts for payments made from the estate of the deceased shall be filed with the court's final report to the Department of the Army or Air Force.

250302. Distribution of Personal Property

As soon as practicable after the collection of the personal effects and monetary assets of the deceased, the summary court-martial shall, at the expense of the United States, send the personal effects and monetary assets to one of the living persons, in the order of precedence shown on the following list, who is found by the court:

A. The surviving spouse or legal representative.

B. A child of the deceased.

C. A parent of the deceased.

D. A brother or sister of the deceased.

E. The closest next of kin of the deceased.

F. The beneficiary named in the will of the deceased.

250303. Time Limits

If the summary court-martial cannot dispose of the effects as stated in paragraph 250302 because there are no persons in any of the categories listed, or because the addresses of such persons are not known or are not available, the court may convert the effects of the deceased into cash by public or private sale. However, the sale may not occur until 30 days after the date of death of the deceased. Items listed in paragraph 250203 may not be sold.

250304. Final Disposition of Personal Effects

As soon as practicable after the effects have been converted into cash, the summary court-martial shall relinquish custody of all cash and all receipts relating to cash transactions to the executive part of the Department of the Army or Air Force. Wills or other papers of value, an inventory of personal effects, and articles whose sale is not permissible also shall be placed under the jurisdiction of the executive part of the Service of which the deceased was a member. All items received by the executive part of the Army or Air Force shall be delivered to the Armed Forces Retirement Home.

2504 NAVY AND MARINE CORPS PROCEDURES FOR DISPOSITION OF PERSONAL PROPERTY OF DECEASED MEMBERS

250401. General Policy

The Secretary of the Navy shall retain custody of money or other personal property of a deceased member of the Naval Service and make a diligent effort to determine and locate the heirs or next of kin of the deceased member. Property remaining unclaimed 2 years after the

death of the member shall be sold, and the proceeds, together with any other monetary assets of the member held in custody, shall be deposited into the Treasury as miscellaneous receipts.

250402. Recoupment Procedures

Within 5 years after the date the money and proceeds are deposited into the Treasury, any claim that is presented, and supported by competent proof, shall be certified to Congress for consideration. Subsequent to the 5 year period, claims shall not be accepted and the requestor shall be notified that the time limit for submitting a claim has expired.

VOLUME 12, CHAPTER 27: "COMMANDERS' EMERGENCY RESPONSE PROGRAM (CERP)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated June 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2701	Incorporates the FY 2009 National Defense Authorization Act approval and reporting requirements	Update
2702	Establishes responsibilities for certification and waiver for large CERP projects	Update
270204.G	Establishes requirements for using bulk funding for CERP projects	
270205	Establishes requirement for projects over $750,000 include certification that the project is linked to cost-sharing arrangement with the Government of Iraq.	Update
2704	Establishes additional reporting requirements	Update
All	Renumbers paragraphs	Update

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CHAPTER 27

COMMANDERS' EMERGENCY RESPONSE PROGRAM (CERP)

2701 PURPOSE AND APPLICABILITY

*270101. Statute

This guidance implements Section 1202 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2006, Public Law 109-163, as amended by Section 1205 of the NDAA for FY 2008, Public Law 110-181, and Section 1214 of the Duncan Hunter NDAA for FY 2009, Public Law 110-417, by assigning responsibilities for administering the Commander's Emergency Response Program (CERP); defining the purposes for which U.S. appropriations or other funds provided for the CERP may be expended; and specifying the procedures for executing, managing, recording and reporting such expenditures.

*270102. Humanitarian Relief/Reconstruction

The CERP is designed to enable local commanders in Iraq and Afghanistan to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility by carrying out programs that will immediately assist the indigenous population. As used here, reconstruction does not limit efforts to restore previous conditions/structures in Afghanistan. Also, as used here, urgent is defined as any chronic or acute inadequacy of an essential good or service that, in the judgment of a local commander, calls for immediate action. In addition, the CERP is intended to be used for small-scale projects that, optimally, can be sustained by the local population or government. Small-scale would generally be considered less than $500,000 per project. Projects of $500,000 or more are expected to be relatively few in number and require approval (to a maximum of $1 million) by the commander of the CERP Program Manager in theater (Commander, Multi-National Corps-Iraq (MNC-I), or (to a maximum of $2 million) Commander, Combined Joint Task Force (CJTF) in Afghanistan).

*270103. Approval Authority

A. In Afghanistan, projects using more than $2 million of appropriated CERP funds must be approved by the Commander of USCENTCOM. Commander, USCENTCOM may delegate this approval authority to the Deputy Commander, USCENTCOM or the Commander, U.S. Forces Afghanistan (USFOR-A), provided the Commander, USFOR-A is not also serving as the CJTF Commander, who already has responsibility to approve projects up to $2 million.

B. In Iraq, projects using appropriated CERP funds are capped at $2 million. The Secretary of Defense may waive this funding limit if he (a) determines that the project is required to meet urgent humanitarian relief and reconstruction requirements and that it will immediately assist the Iraqi people, and (b) submits a notification of his waiver in writing to the defense committees within 15 days of his waiver. The waiver is required to discuss the unmet and urgent needs addressed by the project and any arrangements between the U.S. Government

(USG) and the Government of Iraq (GoI) regarding the provision of Iraq funds to carry out and sustain the project.

C. For Iraq, the Secretary of Defense or Deputy Secretary of Defense (if authority is delegated) must certify that any project, funded with appropriated CERP funds over $1 million addresses urgent humanitarian relief and reconstruction requirements that will immediately assist the Iraqi people.

D. For Iraq, projects costing more than $750,000 are expected to be funded on a cost-share basis with the GoI. All projects over $750,000 require either an explanation of the cost-share arrangement with the GoI or a justification that the project directly benefits U.S. security objectives in Iraq and should be pursued even in the absence of cost-sharing.

E. For Iraq, commanders will continue to identify and pursue opportunities to transition responsibility for larger economic revitalization efforts to the Government of Iraq and will include a description of these efforts in the Commander's Narrative section of the quarterly report.

*270104. Representative Areas

The CERP may be used to assist the Iraqi and Afghan people in the following representative areas:

A. Water and sanitation.

B. Food production and distribution.

C. Agriculture/Irrigation (including canal clean-up).

D. Electricity.

E. Healthcare.

F. Education.

G. Telecommunications.

H. Economic, financial, and management improvements.

I. Transportation.

J. Rule of law and governance.

K. Civic cleanup activities.

L. Civic support vehicles.

M. Repair of civic and cultural facilities.

N. Battle Damage/Repair.

O. Condolence payments.

P. Hero Payments.

Q. Former Detainee Payments.

R. Protective measures.

S. Other urgent humanitarian or reconstruction projects.

T. Temporary contract guards for critical infrastructure.

270105. Contract Requirement

This guidance applies to all U.S. Department of Defense (DoD) organizations and activities. A requirement to comply with this guidance shall be incorporated into contracts, as appropriate to cover the execution, management, recording and reporting of expenditures of U.S. appropriations and other funds made available for the CERP. Guidance concerning CERP reporting categories for potential projects is contained in Annex A.

2702 RESPONSIBILITIES

*270201. Under Secretary of Defense (Comptroller) (USD(C))

The USD(C) shall establish principles, policies, and procedures to be followed in connection with the CERP, oversee and supervise their execution, and ensure that congressional defense committees are informed in a timely manner of CERP activities through the quarterly reports required under section 1202(b) of the NDAA for FY 2006, as amended. The USD(C) will assemble and staff for approval by the Secretary of Defense any certification package for a project over $1 million and any waiver package for a project over $2 million for Iraq. Such projects will be approved on an exception basis and will be accompanied by justification material sufficient for the Secretary to determine if the project meets the required criteria to be approved for funding.

270202. Secretary of the Army

Pursuant to DoD Directive 5101.1, “DoD Executive Agents,” dated September 23, 2002, the Secretary of the Army shall serve as executive agent for the CERP, and in that capacity shall forward quarterly reports to Congress and shall promulgate through the responsible combatant commander and designated forward commands, detailed procedures as necessary for commanders carry out the CERP in a manner consistent with applicable laws, regulations, and

this guidance. These procedures shall include rules for expending CERP funds through contracts and grants, in accordance with paragraph 270308.

*270203. Commander, U.S. Central Command (USCENTCOM)

The Commander, USCENTCOM shall determine the appropriate allocation of CERP funds among subordinate commands and advocate for appropriate resources and authorities in support of the theater's military global war on terrorism mission. The Commander, USCENTCOM will approve all CERP projects in Afghanistan that are greater than $2 million. This responsibility may be delegated in writing to the Deputy Commander, USCENTCOM or the Commander, U.S. Forces, Afghanistan (USFOR-A) provided this position is filled by other than the CJTF Commander, who has the authority to approve projects less than or equal to $2 million. The Commander, USCENTCOM will also review the quarterly reports submitted to the Secretary of the Army by Commander, MNC-I and Commander, CJTF in Afghanistan to ensure that the Commanders' uses of CERP are consistent with the intent of the program and maximize the benefits to the local populations and best influence conditions on the ground. The CENTCOM will work with Army to provide Commander's operational perspectives to address discrepancies raised by Army on the Commander's Narratives compared to the reported project data.

*270204. Commanders, MNC-I and CJTF in Afghanistan

The Commander, MNC-I and the CJTF in Afghanistan shall ensure that proper procedures are in published theater guidance to evaluate CERP projects and ensure that the projects meet the intent of the program. In addition, Commanders, MNC-I and CJTF in Afghanistan shall ensure that:

A. Projects are properly managed so that CERP funds achieve maximum results, which includes establishing performance objectives and monitoring achievements. Specifically, these commanders shall approve any essential individual CERP projects of $500,000 or more, on an exception basis given that the intent is for small-scale projects, and shall ensure local national donor nation, non-government organization (NGO), or other aid or reconstruction resources are not reasonably available before CERP funds are used.

B. Projects of $50,000 or greater must be coordinated with Provincial Reconstruction Development Committees (including Provincial Reconstruction Teams (PRTs), Embedded Provincial Reconstruction Teams (ePRTs) and Provincial Support Teams (PSTs), where established, prior to execution. Such coordination should be noted in the project documentation.

C. A command CERP policy is established and published that includes subordinate approval authority levels and detailed procedures as necessary to ensure Commanders carry out CERP in a manner consistent with mission requirements and applicable laws, regulations, and guidance.

D. Monthly/quarterly CERP Reports are submitted through U.S. Army Central (ARCENT) G8 and the Assistant Secretary of the Army (Financial Management & Comptroller).

E. A Commander's Narrative is prepared for each quarterly report that addresses: Commander's intent for CERP funds by geographic sector, including performance measures for on-going and proposed projects; impacts of CERP funded projects, how individually and collectively projects assist the U.S. carry out its strategy in theater; specific details for each prior and proposed project of $500,000 or more; and the contributions these projects made to humanitarian relief and reconstruction efforts for the benefit of the Iraqi and Afghan people, respectively. Appendix B provides additional guidance on the Commander's Narrative.

F. The CERP funds are expended commensurate with work completed, performance metrics, and that projects are properly monitored and closed out upon completion, including the transfer of ownership to an appropriate authority of the country's government prepared to sustain the project.

* G. Projects using a bulk draw of funds will no longer be obligated when the funds are drawn. Beginning in FY 2009, a DA-3953, "Purchase Request & Commitment," document annotating a bulk funds draw will generate a commitment in the financial system. Each type of bulk funding must be recorded and maintained by the pay agent until the bulk fund is closed out at finance. Bulk funds are limited to condolence payments, battle damage payments, former detainee payments, or hero payments, micro-grants and Commander's small-scale projects (limited to $5,000 per project). Each quarter the amount of funding drawn as cash by the pay agent that was paid out must be identified as an obligation and disbursement on the reports for all bulk fund categories. Once funds for bulk funded small scale projects are fully spent, each individual project must be reported using the appropriate CERP category.

H. Any project in Iraq that began prior to FY 2009 which had an obligation of appropriated CERP funds less than $1 million but which now requires additional funding (taking the total appropriated CERP funding over $1 million), must be approved by USD(C) before the additional CERP funding is obligated.

*270205. Additional Guidance for the Commander, MNC-I

The Commander, MNC-I will.

A. Ensure that projects greater than $750,000 include a certification that the project is linked to a cost sharing arrangement with the Government of Iraq or justified on an exception basis because it directly supports the U.S. security mission in Iraq.

B. Forward any proposed project exceeding $1 million to the Secretary of Defense (or the Deputy Secretary) through the Commander, U.S. CENTCOM and the USD(C) to certify that the project addresses urgent humanitarian relief and reconstruction requirements that

will immediately assist the Iraqi people. Any request for certification will include sufficient information to support such a decision.

C. Forward any proposed project costing $2 million to the Secretary of Defense (or the Deputy Secretary) through the Commander, U.S. CENTCOM and the USD(C) to determine if a waiver for the project is warranted to meet urgent humanitarian relief and reconstruction requirements that will immediately assist the Iraqi people. Any request for a waiver must include sufficient information to support a waiver determination.

2703 PROCEDURES

*270301. Improper Usage of Funds

Appropriated funds made available for the CERP shall not be used for the following purposes:

A. Direct or indirect benefit to U.S., coalition, or supporting military personnel.

B. Providing goods, services, or funds to national armies, National Guard forces, border security forces, civil defense forces, infrastructure protection forces, highway patrol units, police, special police, or intelligence or other security forces (except contract guards such as Sons/Daughters of Iraq and/or a corresponding program in Afghanistan).

C. Except as authorized by law and separate implementing guidance, weapons buy-back programs, or other purchases of firearms or ammunition.

D. Entertainment (except light refreshment costs purely incidental to either an approved CERP project opening ceremony or a conference in support of a CERP project).

E. Reward programs.

F. Removal of unexploded ordnance (unless incidental to construction or an agricultural development project).

G. Duplication of services available through municipal governments.

H. Salaries, bonuses, or pensions for Iraqi or Afghan military or civilian government personnel.

I. Training, equipping, or operating costs of Iraqi or Afghan security forces.

J. Conducting psychological operations, information operations, or other U.S., coalition, or Iraqi/Afghanistan Security Force operations.

K. Support to individuals or private businesses (except for condolence, former detainee, hero or battle damage payments as well as micro-grants.

*270302. Amount

The CERP is intended for small-scale, urgent, humanitarian relief and reconstruction projects for the benefit of the Iraqi and Afghan people. Priority shall be given to projects with a government estimate of less than $500,000.

A. Approval authority for individual CERP projects of $500,000 or more resides with the Commander of the CERP Program Manager in Theater, i.e., Commander, Combined Task Force (CJTF) in Afghanistan and the Commander, Multi-National Corps – Iraq (MNC-I) with theater specific limitations. The Commander, CJTF's approval is for projects costing up to $2 million.

B. Army, using input from MNC-I and the CJTF in Afghanistan, shall separately notify USD(C), MNF-I, USFOR-A and USCENTCOM J8 of all individual CERP projects of $500,000 or more as part of the normal monthly/quarterly reporting process. Such separate notification will include a description of the project, an estimated time required to complete, and a justification of how the project supports the purpose of the CERP, and the respective theater campaign plan.

C. Commanders will consult with the appropriate Provincial Reconstruction Development Committees (including Provincial Reconstruction Teams (PRTs), Embedded Provincial Reconstruction Teams (ePRTs), and Provincial Support Teams (PSTs), where established), prior to initiating all individual CERP projects of $50,000 or more and document the consultation in the project file.

270303. Commingling of Funds

Consistent with Volume 5, Chapter 2, "Disbursing Officers, Officers, and Agents," U.S. appropriations made available for the CERP shall not be commingled with nonappropriated funds, and shall be separately executed, managed, recorded, and reported.

270304. Allocation of Funds

The USD(C) shall ensure that DoD appropriations and other funds available for the CERP are properly allocated to Army for funds control and execution. Commander, USCENTCOM will notify Army of the appropriate intertheater allocation.

270305. Delivery, Transporting, and Safeguarding of Funds

Any funds made available for the CERP shall be delivered, transported, and safeguarded consistent with Volume 5, Chapter 3, "Keeping and Safeguarding Public Funds."

270306. Appointment of Paying Agents

Paying Agents responsible for making disbursements of funds under the CERP shall be appointed consistent with Volume 5, Chapter 2, "Disbursing Officers, Officers and Agents." A waiver must be granted to allow Coalition Forces members to serve as paying agents. The Coalition Forces member shall receive the same training as U.S. paying agents and sign a statement of understanding. When appointing non-U.S. citizens as paying agents consider the necessity because foreign nationals and other non-U.S. citizens may not be held pecuniary liable for losses of funds. All funds advanced to and returned from the Coalition Forces paying agents shall be documented on a Statement of Agent's Officer's Account (DD Form 1081) in accordance with Reference B, Volume 5, Chapter 19, "Disbursing Officers' Accountability Reports." Upon completion of authorized payments, the paid vouchers, negotiable instruments, and any balance of funds shall be returned to the disbursing officer with a properly completed DD Form 1081.

270307. Documentation of Payments

Payments under the CERP shall be made and documented consistent with Volume 5, Chapter 11, "Disbursements," and Volume 10, Chapter 8, "Commercial Payment Vouchers and Supporting Documents."

270308. Contracts and Grants

U.S. appropriations and other funds made available for the CERP may be expended through contracts and grants that are prepared and executed in accordance with regulations designed to ensure transparency, fairness, and accountability. To the maximum extent practicable, these regulations shall be consistent with Coalition Provisional Authority Memorandum Number 4, Contract and Grant Procedures Applicable to Vested and Seized Iraqi Property and the Development Fund for Iraq, dated August 19, 2003.

270309. Circumventing Limits

Monetary limits and approval requirements may not be circumvented by "splitting" a single project through the submission of multiple purchase requests, similar documents, or otherwise. Pre-deployment training should highlight this restriction.

270310. Clearance of Accounts

Accounts maintained under the CERP shall be cleared consistent with Volume 5, Chapter 2, "Disbursing Officers, Officers and Agents."

270311. Certification of Payments

Payments made under the CERP shall be certified in a manner consistent with Volume 5, Chapter 33, "Accountable Officials and Certifying Officers."

270312. Audits and Program Reviews

The administration of the CERP will be subject to periodic audits by DoD's internal review and audit organizations, including the DoD Inspector General and the Army Audit Agency, as well as external organizations such as the Government Accountability Office and congressional oversight committees. All officials responsible for administering the CERP shall cooperate fully with any review, audit, or investigation conducted by such organizations.

270313. Appointment of Project Purchasing Officers (PPO)

PPOs are U.S. government employees/U.S. service members who, upon completion of training and receipt of written delegation, serve as an extension of warranted contracting officers. A contracting officer may delegate to a PPO the authority to obligate the United States on CERP-funded projects costing less than $500,000.

*270314. Monitoring of Projects

All projects must have progress monitored to ensure that payments are commensurate with the work accomplished and the engineering standards as stipulated. For construction projects less than $500,000, (which may use a PPO rather than a warranted contracting officer), the PPO delegation memo should note that assistance from either the organic engineers or another unit's engineers may be requested to assist in determining construction progress. All projects involving grants must be monitored to ensure that the grant funds have been fully expended on the initiative that justified the project approval.

*270315. Performance Metrics

Performance metrics are essential to ensure that funds are applied for the most beneficial projects. Performance indicators must be included in evaluation packages for proposed CERP projects $50,000 or more and used as part of the close-out process for evaluating the project at its completion. CERP procedures for evaluating proposed projects should consider:

A. Immediate benefit to the local population.

B. Sustainability of the project.

C. Name and stability of the local partner.

D. Number of the local population engaged in the project.

E. Number of locals benefitting which can also be considered as a cost-benefit or per capital analysis.

F. Executability of the project (in terms of completion, operation and sustainment of the project).

G. Relationship to other similar efforts, such as replicating other successful projects funded with CERP.

270316. Project Execution

During project execution, the Commander responsible for the project will ensure that construction meets engineering standards and that performance is updated against the relevant metrics. At project completion, the Commander will ensure final inspections are completed and the project is documented in all required databases and then transferred to appropriate Afghan/Iraqi officials for sustainment.

2704 REPORTS AND NOTIFICATIONS

*270401. CERP Project Status Report

Not later than the 15th day of each month, Army shall submit to the USD(C) a CERP Project Status Report as of the last day of the preceding month. Army will provide a copy of the report to USCENTCOM J8, Commander, MNF-I, Commander, USFOR-A, and the Joint Staff, J8. The CERP Project Status Report shall contain the following information, identified by Project Category provided in this guidance:

A. For all projects:

1. Unit.

2. Project Document Reference Number/STANFINS Document Reference Number.

3. Project Category from USD© categories in this reference.

4. Project Title

5. Province where project is located.

6. Description (two or three sentences that describe the project for a person not familiar with it). For micro-grant projects list the name and type of business. For Commander's small scale projects sourced out of bulk funding, capture the initial bulk funded amount under the "other urgent and humanitarian or reconstruction category. Once the bulk fund is completely obligated/disbursed, replace with actual project descriptions for each completed project using the appropriate CERP categories.

7. Total amount committed, obligated, and disbursed for the project.

8. Obligation date. NOTE that once projects are identified, if they are cancelled during the same fiscal year they remain on the report with a note that they were cancelled and the obligated amount adjusted to $0.

9. For projects costing $50,000 or more provide justification stating how the project supports the purpose of CERP, i.e., justification for the project.

10. Current status of the project and projected completion date or when the project was completed, noting also whether the project was finished or terminated for other reasons.

11. For projects $50,000 or more, identify the date when project is/will be transferred to the Iraq or Afghanistan government. Annotate with "yes" to indicate the government's commitment to sustain the project, or "no" to indicate no agreement for sustainment. Details of any indicated sustainment must be included in the project files.

12. Number of local citizens estimated to directly benefit from project, if available.

a. Number of local citizens estimated to be employed by the project.

b. Number of local citizens estimated to be affected by the project.

B. For projects equal to or greater than $500,000:

1. All information identified above for all projects (1-12).

2. Note whether project sustainment is required and if it has been arranged.

3. Description of the plan for the transition of the project when completed to the Iraq or Afghan people/government and the government's commitment to sustain the project.

4. For projects in Iraq, identify the amount of funds, if any, provided by the Government of Iraq for this project.

5. Note whether with "yes" or "no" if one of the goals of the project includes benefit internally displaced citizens?

6. For each project in Iraq costing more than $750,000, whether it was approved by the MNC-I Commander for funding based on a cost-sharing arrangement with the GOI or based on direct benefit to the U.S. mission?

NOTE: This reporting requirement applies only to appropriation-funded CERP for Iraq and Afghanistan under the scope of this guidance, and, if applicable, is in addition to the separate monthly requirement to report cumulative totals allocated, committed, obligated, and disbursed for all types of CERP funds in Iraq.

270402. Quarterly Report

Army, with the support of USD(C), shall be responsible for submitting to Congress the quarterly reports required under the NDAA for FY 2006, Public Law 109-163**,** section 1202, as amended.

270403. Approvals

As required upon Secretary of Defense approval of CERP projects in Iraq greater than $1 million or determination of a waiver for projects costing $2 million or more, USD(C) will provide Army a signed statement affirming that certification was issued or the waiver was granted.

270404. Other Provisions of Law

Army, in coordination with Commander, USCENTCOM, shall promptly notify the USD(C) and the DoD General Counsel of any provisions of law that (if not waived) would prohibit, restrict, limit, or otherwise constrain the exercise of the authority provided by, NDAA for FY 2006, Public Law 109-163, section 1202, as carried forward as amended by Public Law 110-181.

270405. Changes in Guidance

The USD(C) will notify the congressional defense committees no later than 15 days after issuing any change to this guidance. The Joint Task Forces in each theater (MNC-I in Iraq and CJTF in Afghanistan) and ARCENT will notify the USD(C), USCENTCOM, and Secretary of the Army no later than 15 days after issuing any changes to their CERP implementing guidance.

2705 WAIVERS

270501. Requests

Request for waivers from, or exceptions to any provision of law that would (but for the waiver or exception) prohibit, restrict, limit, or otherwise constrain the execution of the CERP must be submitted through the USD(C) and DoD General Counsel to the Secretary of Defense for approval.

270502. Submission

Requests for waivers or exceptions to this guidance must be submitted to the USD(C) for approval.

2706 EFFECTIVE DATE

This guidance becomes effective immediately. CERP data must meet the requirements of section 1214 of the FY 2009 NDAA for any project begun on or after October 15, 2008.

*ANNEX A

CERP Category Definitions and Potential Projects

1. Agriculture: Projects to increase agricultural production or cooperative agricultural programs. This includes irrigation systems.

A. Reforestation (fruit and nut) producing trees, timber production, and general reforestation
B. Wind breaks for fields
C. Pesticide control for crops
D. Animal husbandry practices
E. Veterinary clinics, supplies and care of animals
F. Seeds for planting
G. Purchase of initial, parents livestock for herds
H. Animal health
I. Animal production
J. Aquaculture
K. Fish farms
L. Conservation programs
M. Biotechnology
N. Purchase of farm equipment or implements
O. Irrigation wells
P. Irrigation ditches
Q. Canal cleanup
R. Water pumps
S. Siphon tubes
T. Development and construction of terracing
U. Sprinkler irrigation
V. Dust suppression
W. Central pivot irrigation
X. Sub-irrigation
Y. Aquifer development
Z. Agricultural Training Facilities and Demo-Farms—ADT

2. Battle Damage Repair: Projects to repair, or make payments for repairs, of property damage that results from U.S., coalition, or supporting military operations and is not compensable under the Foreign Claims Act.

3. Civic Cleanup Activities: Projects to cleanup of public areas; area beautification.

A. Streets, roads
B. Parks
C. Demolition of old buildings/structures
D. Trash removal

4. Civic Support Vehicles: Projects to purchase or lease vehicles by public/government officials in support of civic and community activities.

A. Construction vehicles for public works
B. Water and trash trucks
C. Governmental vehicles for official duties

5. Condolence Payments: Payments to individual civilians for the death or physical injury resulting from U.S., coalition, or supporting military operations not compensable under the Foreign Claims Act.

6. Economic, Financial, and Management Improvements: Projects to improve economic or financial security.

A. Marketing assistance programs
B. Refurbishment of bazaars
C. Micro-Grants to individuals or small businesses
D. Refurbishment of district centers

7. Education: Projects to repair or reconstruct schools, or to purchase school supplies or equipment.

A. Build, repair, and refurbish schools (primary, middle, high, schools; colleges; trade schools and Centers of Educational Excellence)
B. Tents for use as schools/classrooms
C. School supplies, textbooks
D. Furniture, desks, mats
E. Sports equipment (soccer balls/goals, etc.)

8. Electricity: Projects to repair, restore, or improve electrical production, distribution, and secondary distribution infrastructure. Cost analysis must be conducted so the village or district may collect revenues to ensure operation and maintenance of the system for long term use.

A. Electrical production (solar, hydro, wind, and fossil) for villages and districts (not specific to individual government buildings or homes)
B. Distribution of high and low voltage to villages and districts (not specific to individual government buildings or homes)

C. Secondary distribution to individual buildings and homes
D. Generators (regardless of where used)
E. Studies

9. Food Production & Distribution: Projects to increase food production or distribution processes to further economic development.

A. Food handling technology, including refrigeration, storage, warehousing etc.
B. Adequate production and supply logistics, based on demand and need
C. Food labeling and packaging
D. Food production safety
E. Capacity building for production and regulation of food
F. Storage capability for pre-distribution holding

10. Former Detainee Payments: Payments to individuals upon release from Coalition non-Theater Internment detention facilities.

11. Healthcare: Projects to repair, or improve infrastructure, equipment, medical supplies, immunizations, and training of individuals and facilities in respect to efforts made to maintain or restore health especially by trained and licensed professionals.

A. Construction/repair of clinics
B. Ambulances/transportation for doctors in rural areas
C. Construction/repair of hospitals
D. Cooperative medical assistance (CMA) visits and supplies
E. Healthcare specific furnishings (beds, mattresses, etc.)
F. Refrigeration for medication
G. Expendable supplies
H. Durable and non-expendable equipment for medical facilities

12 Hero Payments: Payments made to the surviving spouses or next of kin of Iraqi or Afghan defense or police personnel who were killed as a result of U.S., coalition, or supporting military operations in Iraq or Afghanistan (previously referred to as Martyr payments in Iraq).

13. Other Urgent Humanitarian or Reconstruction Projects: Projects to repair collateral damage not otherwise payable because of combat exclusions or condolence payments. Other urgent humanitarian projects not captured under any other category. For other urgent humanitarian projects, this category should be used **only** when no other category is applicable.

A. Tents
B. Tarps, plastic sheeting
C. Blankets
D. Clothes, shoes/boots, winter coats/gloves

E. Hygiene kits
F. Food (rice, beans, salt, sugar, *tea*, cooking oil)
G. Stoves
H. Wood for stoves
I. Coal/charcoal

14. Protective Measures: Projects to repair or improve protective measures to enhance the durability and survivability of a critical infrastructure site (oil pipelines, electric lines, etc.).

A. Fencing
B. Lights
C. Barrier materials
D. Berms over pipelines
E. Guard Towers

15. Repair of Civic & Cultural Facilities: Projects to repair or restore civic or cultural buildings or facilities.

A. Religious buildings such as mosques or shrines
B. Civic/community centers
C. Women's centers
D. Athletic venues
E. Libraries
F. Museums

16. Rule of Law & Governance: Projects to repair government buildings such as administrative offices, or courthouses.

A. Governmental buildings repair
B. Support for the judicial system
C. Jails or temporary holding facilities repairs
D. Public service facilities improvements
E. Support to divergent political party development

17. Temporary Contact Guards for Critical Infrastructure: Projects including Sons/Daughters of Iraq and similar initiatives in Afghanistan guarding critical infrastructure, including neighborhoods and other public areas.

18. Telecommunications: Projects to repair or extend of communication over a distance. The term telecommunication covers all forms of distance and/or conversion of the original communications, including radio, telegraphy, television, telephony, data communication, and computer networking. Includes projects to repair or reconstruct telecommunications systems or infrastructure.

A. TV stations (including equipment purchase, repair, and maintenance)
B. Radio stations (including equipment purchase, repair, and maintenance)
C. Governmental communications systems (telephones, two way radios, repeaters, antennas)
D. Loudspeaker systems
E. Landline point to point connections to connect systems

19. Transportation: Projects to repair or restore transportation to includes infrastructure and operations. Infrastructure includes the transport networks (roads, railways, airways, canals, pipelines, etc.) that are used, as well as the nodes or terminals (such as airports, railway stations, bus stations and seaports). The operations deal with the control of the system, such as traffic signals and ramp meters, railroad switches, air traffic control, etc.

A. Transportation infrastructure, including roads, railway tracks, airports, ports, etc.
B. Roads (including gravel, cobblestone, etc.)
C. Culverts
D. Bridging
E. Traffic control measures

20. Water & Sanitation: Projects to repair or improve drinking water availability, to include purification and distribution. Building wells in adequate places is a way to produce more water assuming the aquifers can supply an adequate flow. Other water sources are rainwater and river or lake water must be purified for human consumption. The processes include filtering, boiling, and distillation among more advanced techniques, such as reverse osmosis. The distribution of drinking water is done through municipal water systems or as bottled water. Sanitation, an important public health measure that is essential for the prevention of disease, is the hygienic disposal of recycling of waste materials, particularly human excrement.

A. Wells (regardless of the end user, unless the end user is the security forces)
B. Water pumps
C. Water treatment facilities
D. Production or distribution of potable water and sanitation of that production capability
E. Establishing trash collection points
F. Waste disposal sites
G. Sewage treatment solutions
H. Retaining walls for flood prevention
I. Dumpsters
J. Public latrines
K. Local studies and water testing

*ANNEX B

CERP Quarterly Report Commander's Narrative

1. Each quarterly report, submitted in accordance with section 270402, will contain a Commander's Narrative from the Commander, MNC-I and Commander, CJTF in Afghanistan that at the beginning of each fiscal establishes:

A. Commander's overall goals for the CERP funding
B. At least three supporting areas of emphasis for using the funding
C. How progress against the identified goals will be judged

2. Each quarter the Commander's Narrative will review the goals as required above and report progress achieved against the identified goals, using the above noted methods.

A. Significant events/issues that have occurred since the previous quarterly report
B. Adequacy of projected funding
C. Areas anticipated to be of interest to USCENTCOM, HQDA, OSD and Congress
D. Any problems arising in the transfer of completed projects to the Governments
E. Impact of security situation on monitoring of CERP funded projects
F. Newly approved projects ≥ $500,000 and the category of any project
G. Projects ≥ $500,000 that were completed during the quarter and category of each project.
H. Contributions each project ≥ $500,000 made to humanitarian relief and reconstruction efforts for the benefit of the Iraqi and Afghan people.
I. Efforts made to obtain donor funding for projects and results obtained.
J. Identification of any projects or category of projects that are cost-shared and with whom.
K. Date that projects were turned over to the appropriate government.
L. Impacts of CERP funded projects, individually and collectively in assisting the U.S. carry out its strategy.
M. For Iraq, progress made in identifying and pursuing opportunities to transition responsibility for larger economic revitalization efforts to the Government of Iraq (GoI) including;

- The level of funding from the GoI into I-CERP;
- The level of funding provided by GoI through other programs to meet urgent humanitarian relief and reconstruction requirements that immediately assist the Iraqi people; and
- The status of efforts to transition Sons/Daughters of Iraq to the GoI.

VOLUME 12, CHAPTER 29: "ADMINISTERING, USING AND ACCOUNTING FOR VESTED AND SEIZED FUNDS AND PROPERTY DURING CONTINGENCY OPERATIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

This is a new chapter.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
NEW	This is a new chapter which incorporates applicable sections of the Under Secretary of Defense (Comptroller) July 31, 2003, memorandum on "Procedures for Administrating, Using, and Accounting for Vested and Seized Iraqi Property" as a permanent part of the DoD Financial Management Regulation. Even though the procedures were originally developed specifically for Iraq, this guidance is provided as a framework for future contingency operations and should be modified to accommodate each unique contingency operation. For each contingency operation where vested and/or seized assets are available, specific guidance to ensure transparency and accountability of assets shall be developed to fully support the circumstances of that operation. The Office of Under Secretary of Defense (Comptroller), Accounting and Finance Directorate should be contacted for specific guidance. Policy memorandums specific to each on-going contingency operations will be maintained on the DoD FMR website at Volume 12, Special Accounts, Funds and Programs; Policy Memorandums.	

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CHAPTER 29

ADMINISTERING, USING AND ACCOUNTING FOR VESTED AND SEIZED FUNDS AND PROPERTY DURING CONTINGENCY OPERATIONS

ANNEX 1 SHIPMENT AND DISTRIBUTION OF FUNDS DURING CONTINGENCY OPERATIONS

A. Purpose and Applicability

This annex addresses the duties, responsibilities, and procedures to be followed by the host nations, Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), and the designated executive agent when requesting and shipping vested funds to host nations.

B. Responsibilities

The administrator of the host nation, along with OUSD(C) and the Executive Agent will coordinate, request, document and arrange for the shipment of vested funds to the host nation.

C. Definitions

1. Contingency operations include, but are not limited to, support for peace keeping operations, major humanitarian assistance efforts, noncombatant evacuation operations, and international disaster relief efforts.

2. Host nation is a nation that receives the forces and/or supplies of allied nations, and/or coalition partners to be located on, to operate in or to transit through it territory.

3. Coalition Forces are defined as a temporary alliance of factions, nations, etc., for a specific purpose, as of countries in times of international conflict or war.

4. Executive agent is the head of a DoD Component to whom the Secretary of Defense or the Deputy Secretary of Defense has assigned specific responsibilities, functions, and authorities to provide defined levels of support for operational missions, or administrative or other designated activities that involve two or more of the DoD Components.

5. Interim government is defined as a temporary government formed by the host nations or allies until a permanent government can be installed by the local people.

6. Vested assets are those frozen by Presidential Executive Order and vested with the U.S. Department of Treasury for return to the host nation.

7. Spending plan is a plan describing the purposes and the amounts of proposed expenditures of vested and seized property, developed by the host nation or the interim government and submitted through appropriate channels for approval.

D. Procedures

1. The administrator of the host nation will make a determination that vested funds are needed.

2. After the determination is made, the host nation's comptroller will notify the OUSD(C) to create the necessary funding documents. The host nation's comptroller will also provide OUSD(C) with the host nation approved spending plans, supporting the distribution of the funds. The host nation's comptroller will identify the amount of money required along with the quantity of each denomination.

3. OUSD(C) will notify the Department of the Treasury (Treasury) that cash is needed. When possible, the host nation's comptroller will give OUSD(C) and Treasury at least a 10-day advance notice advance of when the money is needed in country. The Treasury will notify the Federal Reserve Board. The Federal Reserve Board will work with the designated Federal Reserve Bank to procure the amount of money needed and denominations as requested.

4. The host nation's comptroller, in coordination with the executive agent, is responsible for coordinating the delivery date and location where the money is to be delivered to allow for a maximum force protection posture keeping in mind customs, requirements and coordination with the host nation. The designated executive agent will coordinate with the Surface Deployment and Distribution Command to arrange transportation, security and loading of aircraft at the designated debarkation point to meet the host nation's desired delivery date.

5. The designated executive agent will provide the flight number and arrival time in country to the designated receiving disbursing officer and to the host nation to ensure security and logistical assets are available to off load the currency.

6. The executive agent's financial operation's designee will ensure security and logistical assets are available to off load the currency.

7. The Federal Reserve Board will notify the contracted armored carrier service to escort the money to the designated military installation. When the shipment arrives at the designated military installation, the accountable individual will be a military officer assigned to accompany the flight to the appointed airport.

8. Once at the designated military installation, the money is verified, arranged on pallets and shrink-wrapped to prevent loss and ensure accountability during shipment. The money is then loaded onto available military aircraft and escorted by two designated couriers. The accountable individual has accountability for the money from the designated shipping point to designated receiving point.

9. Accountability will transfer from the accountable individual to the designated custodian for host nation funds or disbursing officer's representative, at the designated receiving point upon verification of funds.

ANNEX 2 DUTIES UPON ASSUMING POSSESSION OF FUNDS AND/OR PROPERTY

A. Purpose and Applicability

1. This annex addresses the duties, responsibilities, and general procedures to be followed by the Coalition Forces upon discovery, possession, seizure, or receipt of funds and/or property. Specific procedures to ensure accountability and transparency of vested and seized property must be developed to accommodate each unique contingency operation. Policy memorandums specific to each on-going contingency operations will be maintained on the DoD FMR website at Volume 12, Special Accounts, Funds and Programs; Policy Memorandums.

2. The designated Executive Agent shall coordinate with the OUSD (C) to develop specific procedures upon the notification of pending contingency operations. Such procedures will apply to all parties involved in the area(s) of operations for the specific contingency operations as specified in the policy memorandum.

B. Responsibilities

1. Command Responsibility. It is the obligation of the Combatant Commander and subordinate commanders at all levels, to ensure all local regime or private property, cash, or other valuables seized, received, or otherwise taken into possession are properly secured, safeguarded, controlled and accounted for.

2. Individual Responsibility. It is the responsibility and obligation of all Coalition Forces personnel to: (1) notify superiors in a timely manner of any property, seized or received; (2) keep records of and account for such property; and (3) properly secure, safeguard, and control the property in their physical possession. If required, assist other assigned or responsible personnel in the conduct of their duties to secure and safeguard such property or assets.

3. Custodial Responsibility. The responsibility that results from either formal assignment, assumed responsibility, or inherent responsibility derived from command authority and responsibility. Custodians shall take all necessary and prudent actions to properly secure, control, account for, and safeguard property that comes into their physical possession.

4. Accountable Individual. An accountable individual will be appointed by the commander of the Coalition Forces (Detachment, Company, Battalion or equivalent activity) that originally finds, seizes, secures, or otherwise takes possession of public or private property, cash, or valuables. The accountable individual may be a Coalition Forces commissioned or warrant officer or a properly qualified Coalition Forces civilian manager detailed or attached to the activity. The accountable individual will: maintain formal property, inventory, and accounting

records that show, on a continuing basis, the identification or description or the items held, the physical count of cash and face value of currency and securities held by denomination, record of all gains or losses and on-hand balances, the conditions and locations of all property assigned or in possession, and evidence of the chain of custody maintained from time of first receipt or possession (by hand receipt or other record).

C. Definitions

Seized funds are cash and property confiscated by coalition forces during military operations and governed by the laws and usages of war. Normally captured foreign currency shall be delivered promptly into the custody of the State Department's United States Disbursing Officer (USDO) supporting the particular country involved. Any Department of Defense DO acquiring captured foreign currency shall ensure the funds are safeguarded and delivered to the USDO as soon as possible. Captured foreign currency shall not be collected into the DOs accountability as prescribed in Volume 5, Chapter 12.

D. Procedures

1. Secure the property. Use armed guards or other appropriate forms of control as necessary.

2. The ranking military member present when the property is secured automatically becomes the accountable individual with custodial responsibility.

3 Conduct and document a physical inventory of the property. Establish a custodial record, using and modifying DA Form 4137 (Evidence/Property Custody Document) (Figure 2-1) as appropriate.

4. Remove the property, using appropriate care and security, to a controlled area and deliver to an accountable officer.

5. The accountable individual will deliver the property in the form of cash, jewels, precious metals or other items of value to the nearest disbursing officer or disbursing officer's representative. Upon receipt, the finance or disbursing officer shall become the designated custodian official for the cash, jewels, and precious metals. All other property should be handled through established logistics channels. If the seized assets have been designated to be collected into a trust fund, the DO will take into his accountability. The DO will safeguard and account for the assets as prescribed in Volume 5, Chapter 27.

6. This accountable individual shall establish the appropriate accounting records.

7. Officers with custodial responsibility and accountable individual shall take all prudent and necessary steps to accomplish their responsibilities in this area, including observing and controlling the actions of subordinates, as needed, to safeguard property in their custody.

E. Determination of Public or Private Property Status

1. The location where the property was discovered or obtained must be considered in determining whether property is public or private. It is important that the officers with custodial responsibility document the location and circumstances under which property was obtained. In general, property obtained or seized at palaces or government ministry offices or other government compounds will be assumed to be the local regime assets. Property discovered in private residences or commercial locations or in rural locations will be initially assumed to be private assets. If what appears to be stocks or concentrations of looted goods are discovered, this property will initially be considered public.

2. Any additional documentation found with or adjacent to property may be used in the process of making a final determination on the status of the property. This documentation could include such items as records, invoices, vouchers, inventory lists, letters, or other forms of property identification. The officer initially charged with custodial responsibility will be required to make the determination as to the relevance of any documentation found with or in the vicinity of property recovered or seized. Should the documentation be deemed relevant, the officer charged with custodial responsibility will secure and include that documentation along with the property seized.

3. When property is seized from banks or other financial institutions, the custodial officer will secure and include all available, relevant documentation that will assist in the final determination of the status of the property. Other sources of information can be used to assist in these cases, including but not limited to, intelligence information and records obtained at government ministries describing banking or financial institutions used by the regime as part of their government financial system. Final determinations of the status of any seized assets or property will be made in conjunction with U.S., Coalition Forces legal authorities.

Figure 2-1. Evidence/Property Custody Document

EVIDENCE/PROPERTY CUSTODY DOCUMENT

For use of this form see AR 190-45 and AR 195-5; the proponent agency is US Army Criminal Investigation Command

MPR/CID SEQUENCE NUMBER

CRD REPORT/CID ROI NUMBER

RECEIVING ACTIVITY	LOCATION	
NAME, GRADE AND TITLE OF PERSON FROM WHOM RECEIVED ☐ OWNER ☐ OTHER	ADDRESS *(Include Zip Code)*	
LOCATION FROM WHERE OBTAINED	REASON OBTAINED	TIME/DATE OBTAINED

ITEM NO.	QUANTITY	DESCRIPTION OF ARTICLES *(Include model, serial number, condition and unusual marks or scratches)*

CHAIN OF CUSTODY

ITEM NO.	DATE	RELEASED BY	RECEIVED BY	PURPOSE OF CHANGE OF CUSTODY
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	

DA FORM 4137, 1 JUL 76 Replaces DA FORM 4137, 1 Aug 74 and DA FORM 4137-R Privacy Act Statement 28 Sep 75 Which are Obsolete

LOCATION_____ DOCUMENT NUMBER_____

USAPPC V1.00

Figure 2-1 (Continued)

		CHAIN OF CUSTODY *(Continued)*		
ITEM NO.	DATE	RELEASED BY	RECEIVED BY	PURPOSE OF CHANGE OF CUSTODY
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	

FINAL DISPOSAL ACTION

RELEASE TO OWNER OR OTHER *(Name/Unit)* _____

DESTROY _____

OTHER *(Specify)*

FINAL DISPOSAL AUTHORITY

ITEM(S) _____ ON THIS DOCUMENT, PERTAINING TO THE INVESTIGATION INVOLVING _____ *(Grade)*

_____ *(Name)* _____ *(Organization)* (IS) (ARE) NO LONGER

REQUIRED AS EVIDENCE AND MAY BE DISPOSED OF AS INDICATED ABOVE. *(If article(s) must be retained, do not sign, but explain in separate correspondence.)*

(Typed/Printed Name, Grade, Title) *(Signature)* *(Date)*

WITNESS TO DESTRUCTION OF EVIDENCE

THE ARTICLE(S) LISTED AT ITEM NUMBER(S) _____ (WAS) (WERE) DESTROYED BY THE EVIDENCE CUSTODIAN, IN MY PRESENCE, ON THE DATE INDICATED ABOVE.

(Typed/Printed Name, Organization) *(Signature)*

USAPPC V1.00

ANNEX 3 FINANCIAL RECORDS RETENTION AND DISPOSITION DURING CONTINGENCY OPERATIONS

A. Purpose and Applicability

This annex provides guidance on the submission of necessary documents and reports during contingency operations in order to provide pertinent information to the designated accounting site. It addresses the duties, responsibilities, and procedures to be followed by the disbursing officers and certifying officers when providing disbursement services during contingency operations.

B. Responsibilities

The disbursing officer or his designee shall ensure that all original disbursing officer records and associated papers are retained as government property as cited in Volume 5, Chapter 21. These records shall be readily accessible to the disbursing officer for 6-years 3-month period consistent with guidance in the National Archives and Records Administration General Records Schedule 6. Extension to this record retention period may be warranted on a case-by-case basis.

C. Procedures

1. All disbursing officers will keep a daily report of all transactions processed.

2. All disbursement documents shall be supported by either hard copy or machine readable source records to ensure that:

a. A legal obligation to pay exists (typically a contract);

b. The payee has fulfilled any prerequisites to payment (typically an invoice and receiving report);

c. The amount of the payment and identity of the payee are correct; and

d. The payment is legal under the appropriation or fund involved (typically the correct fiscal year and appropriation).

The documentation should link supporting records and enable audit of transactions and settlement with the certifying and disbursing officers as required by law. A copy of the spending plan will be retained with the original disbursement vouchers.

3. If disbursements are made in cash, the voucher should be receipted by the vendors and/or receipts from the vendors should be attached to the vouchers.

4. The designated accounting site will issue specific accounting and document retention and disposition requirements for paid vouchers. These requirements must be satisfied within 30 days of the payment.

5. The original collection and disbursement vouchers shall be forwarded with the DD Form 2657 (Daily Statement of Accountability) to the designated accounting site as soon as possible after the close of the business day. Disbursing officers shall take extra precautions to ensure that all copies prepared for distribution are completely legible. Additional guidance on the assembly and transmittal of financial reports can be found in Volume 5, Chapter 20.

6. Original paid vouchers shall be safeguarded as consistent with standard security regulations prescribed in Volume 5, Chapter 3.

7. Payments using vested and seized funds shall be made and documented consistent with Volume 5, Chapter 11.

8. All vested and seized funds shall be delivered, transported and safeguarded consistent with Volume 5, Chapter 3.

ANNEX 4 DEVELOPMENT OF FUNDING REQUIREMENTS FOR VESTED AND SEIZED PROPERTY

A. Purpose and Applicability

This annex addresses the duties, responsibilities, and procedures to be followed by the government or designated interim government when working to identify and develop requirements for spending plans in restoring and rebuilding the host country for its people. There may be multiple funding sources available for the purpose of stabilization, reconstruction and humanitarian assistance for the benefit of the local people.

B. Responsibilities

1. It is the responsibility of the appointed/designated officials and coalition commanders to explain the requirements for obtaining vested and seized property for projects that achieve the mission of the designated government.

2. Local designated governmental officials and coalition commanders are responsible for requesting funding from vested and seized assets to accomplish approved projects and requirements by submitting the appropriate funding request form to the designated review board.

3. The majority of funding requirements are expected to be included in the interim government budgets. However, unanticipated or emergency requests will be accepted by the designated review board for consideration. The local government offices shall prepare complete funding request forms to request funding for requirements not addressed in budget submissions, according to the attached instructions.

C. Procedures

1. The funding request form will be reviewed in accordance with the interim government process for the allocation of funds. The designated committee, will conduct the initial review of all program funding requests and project submissions, categorize them, and make recommendations to the designated review board for the allocation of vested and seized funds. The designated review board is responsible for preparing and submitting allocation requests to the Administrator for approval. The designated review board requests will include proposed allocations of available resources. The specific roles, responsibilities, and membership of the interim government designate review board will be determined at the formation of the interim government. For approved projects using Seized and Vested Assets, the interim government is the final authority. After the interim government approval, the interim government comptroller will provide the appropriate funding form and related decision documents to Office of the Under Secretary of Defense (Comptroller) and the designated executive agent budget office.

2. Once funding requests are approved by the Administrator, the requestor must submit a completed Standard Form 1034 (Public Voucher for Purchases and Services Other Than

Personal), along with a spending plan to the interim government comptroller for the disbursement of funds. A spending plan is a plan describing the purposes and amounts of proposed expenditures of vested and seized property, developed by the host nation or the interim government and submitted through appropriate channels for approval.

ANNEX 5 ALLOCATION, DISBURSEMENT, AND FINANCIAL REPORTING OF VESTED AND SEIZED PROPERTY

A. Purpose and Applicability

This annex applies to all parties involved in the receiving, disbursing, accounting for, securing, and reporting of vested and seized property. Specific procedures to accommodate each contingency operation must be developed to ensure accountability and transparency of vested and seized property. Policy memorandums specific to each on-going contingency operations will be maintained on the DoD FMR website at Volume 12, Special Accounts, Funds and Programs; Policy Memorandums.

B. Responsibilities

1. Coalition Government Responsibility. The coalition government (or interim government) is responsible for identifying program requirements, identifying appropriate funding sources for requirements, initiating reprogramming actions when needed, maintaining program accountability, fund certification, certifying receipt of goods, services, and payroll, and certifying disbursement of funds.

2. The Designated Executive Agent (Resource Management) Responsibility. The Executive Agent (Resource Management) is responsible for:

a. Providing commitment accounting support documentation;

b. Providing obligation transactions input to the designated accounting site for processing into the appropriate accounting system;

c. Monitoring fund execution; and

d. Certifying all required financial reports.

3. Disbursing Officer (DO) Responsibility. The DO is responsible for:

a. Processing DD Form 1131 (Cash Collection Vouchers) for seized assets and SF 5515 (Debit Voucher) for vested assets to increase cash balances;

b. Disbursing cash to host nation authorized payees;

c. Processing disbursements in the appropriate disbursing system; and

d. Transferring SF 1034s (Public Voucher for Purchases and Services Other Than Personal) and SF 44s (Purchase Order-Invoice-Voucher) and support documents to the designated accounting site promptly.

4. The Designated Accounting Site. The designated accounting site shall maintain the accounting database and prepare, certify, and process SF 1081s (Voucher and Schedule of Withdrawal and Credits) based upon receipt of the Funding Authorization Documents (FADs); post disbursement and obligation transactions processed by the designated disbursing office to the appropriate accounting system; and maintain documentation for future review and audit.

C. Procedures

1. Program Control Procedures

a. Specific procedures shall be developed to accommodate the unique circumstance of each contingency operation.

b. Cash accountability will be maintained on the DO's DD 2657 (Daily Statement of Accountability) and monthly SF 1219 (Statement of Accountability).

c. The designated accounting site will determine the appropriate accounting system to be used as the book of original entry.

d. The executive agent shall monitor execution of funds.

e. All collections and disbursement transactions are reported on the disbursing officer's SF 1219 (Statement of Accountability).

2. Funds Management Procedures

a. Fiscal Coding and Management Structure. The executive agent, in coordination with the designated accounting site, will establish the fiscal coding and management structure, including monthly and annual reporting levels, budget activities, and project codes. The coding structure and budget activities are established per the Department of Treasury and the Office of Management and Budget guidance received and in coordination with the host nation.

b. Vested Assets. Vested assets are funds vested in the U.S. Treasury by operations of domestic law. A special Treasury General Fund Account Symbol shall be used to record cash deposits and disbursements of vested funds. This unique account shall be used only for the purpose designated for the use of vested funds.

c. Seized Assets. Seized funds are cash and property confiscated by coalition forces during military operations and governed by the laws and usages of war. A special Treasury Deposit Fund Account Symbol shall be used to record seized assets after validation by the designated Federal Reserve Bank. This unique account shall be used only for the purpose designated for the use of seized funds.

d. Detailed Accounting Codes. The host nation's comptroller shall request detailed accounting transaction codes through executive agent's headquarters, from the designated accounting site based on fiscal coding and management structure established.

3. Disbursing Operations and Cash Accountability Procedures

a. The coalition government must provide certifying official appointment letters and signature cards, DD Form 577 (Appointment/Termination Record – Authorized Signature) to the DO for all host nation's personnel that will certify SF 44s or SF 1034s for payments.

b. Prior to disbursing, the coalition government shall obtain validated, detailed documentation to support payment of payrolls, utilities, and other goods and services from the designated host nation's officials. For accountability purposes, supporting documentation from automated local payment systems should be used if they are determined to be available and adequate. The coalition government shall obtain from host nation officials organizational listing(s) of individuals authorized to receive payment at the designated payment site(s), and the amount each individual is to be paid. The host nation will certify the payment vouchers and presented to the DO for payment. The DO and the host nation shall follow customary local practices for validation of, and payment for normal and/or recurring utilities and other goods and services. The host nation will ensures adequate controls are in place by utilizing supporting documentation from local officials to ensure goods and services were received.

c. The host nation shall prepare and submit a memorandum to the DO, including the date, time, location, number of payees, and amount of money to be disbursed at each site. The DO shall disburse funds based on the amount of the certified voucher. The designated disbursing or paying agent will provide supporting documentation for the additional funds. The DO will advance the disbursing or paying agent via a DD Form 1081 (Statement of Agent's Accountability). After the paying agent has finished making payments, he/she will use the payroll plus any additional payments added to the payroll to balance with the DO.

d. The host nation's representative appointed as the certifying official will certify the payment(s), and will date and sign the payment voucher.

e. Payments made using seized and vested funds shall be certified in a manner consistent with Volume 5, Chapter 33.

f. Paying agents responsible for making disbursements of vested and seized funds shall be appointed consistent with Volume 5, Chapter 2.

4. Delivery of Funds Procedures

a. A host nation's fund custodian or paying agent will deliver the funds to the designated pay site(s). Designated cashiers or designated local representatives will sign a receipt acknowledging receiving the funds and make payments at the designated pay site(s). The cashiers will acknowledge receipt from the disbursing agent on a DD Form 1081. Designated

host nation representatives will verify the amount and date, and then sign as the payee on the SF 1034 or SF 44. The host nation appointed task force will ensure, insofar as practicable, that designated coalition representatives properly secure funds at the designated pay site(s) and/or while transporting funds to remote sites.

b. The cashiers and/or designated host nation representatives shall disburse funds to designated individuals or service providers. All disbursements shall be documented with a certified voucher with supporting documentation to validate who received the funds and the purpose that the funds will be used.

(1) For Payrolls. Individuals must present proper/valid identification, and acknowledge receipt of payment by signing the payroll list or other appropriate form.

(2) For Payment of Utilities and Other Goods and Services. The host nation shall appoint paying agents in accordance with Volume 5, Chapter 2, paragraph 020604. The DO shall brief all cashiers and paying agents on their responsibilities and pecuniary liability for funds. Properly certified voucher with supporting documentation (receipt, invoice, etc.) must be presented when disbursing for other than payroll.

c. Paying agents will be advanced funds on a DD Form 1081, "Statement of Agent Accountability". The paying agent will disburse funds based on a properly certified SF 44 or SF 1034. Any funds not disbursed remaining after mission is completed and all disbursements have made will be returned to the DO using a DD Form 1081 and DD Form 2665. The paying agent will use the certified disbursed vouchers to balance with the remaining funds and the advancing DD Form 1081. The host nation comptroller will conduct weekly reviews of any balances on hand at the designated local payment sites. The host nation comptroller shall also review supporting documentation to validate beginning balances, all disbursements and ending cash balances. The host nation comptroller shall verify cash on-hand matches the ending cash balance and that the funds are properly secured. Any funds returned from the designated local payment sites to the host nation comptroller will be collected into the DO's accountability using a DD Form 1131.

5. Paying Operations Procedures

a. Purchasing Officer Appointments. The host nation contracting activity will appoint purchasing officers. Purchasing officers are appointed to purchase goods and services, and are authorized to make such purchases via the SF 44.

b. Paying Agent Appointments. Paying agents will be appointed to pay for commercial services or supplies in support of purchasing officers.

(1) Requests for paying agents must be made in writing to the DO.

(2) Host nation commanders authorized to appoint paying agents shall do so in writing in accordance with Volume 5, Chapter 2, paragraph 020604. The DO will appoint cashiers from the local finance command. The DO shall brief them on the responsibilities and potential pecuniary liability for funds.

(3) Paying agent appointments may be for either a specific transaction or a specified period of time.

(4) Appointed paying agents may not serve concurrently as purchasing officers and may not be charged with the handling or custody of any other funds.

6. Disbursing Procedures

a. The host nation comptroller shall prepare a memorandum to the DO providing date, time, location, number of paying agents, names of the paying agents, and amount of money to be disbursed to each paying agent.

b. The DO or disbursing agent will advance the funds to the appointed paying agent(s) using DD Form 1081. The paying agent shall sign the DD Form 1081 as a receipt for the funds.

c. The paying agent will disburse funds in accordance with the purchasing officer's authorization. The purchasing officer and the paying agent will use the SF 44 to make purchases and payments. The purchasing officer will sign and certify the SF 44.

d. The SF 44 must be signed by the paying agent and the individual receiving the funds.

e. The paying agent must keep the original SF 44 with all signatures. Upon mission completion, the paying agent must return all supporting documentation (e.g., original receipts and SF 44s) and remaining cash to the DO in country or designated government financial activity in order to clear the DD Form 1081.

f. The host nation comptroller will authorize any replenishment of funds. The host nation comptroller certifying official must prepare another memorandum to the DO requesting additional funds. A new DD Form 1081 will be prepared by the DO.

g. Imprest fund cashiers will not be utilized. Purchasing agents appointed by the host nation comptroller-designated government procurement activity will be used to make small purchases, as needed. Disbursing agents will disburse payments based on certified vouchers provided by an appointed certifying officer.

7. <u>Reconciliation Procedures</u>

a. The host nation Comptroller and designated accounting site shall conduct a joint reconciliation of commitments and obligations in accordance with the, Volume 3, Chapter 8. Additionally, the DO and designated accounting site will need to follow existing requirements associated with reporting and reconciliation of DO deposit fund accounts.

b. The DO and cashiers shall follow standard daily balancing procedures as identified in the Volume 5, Chapter 19. Additionally, quarterly cash verifications will be conducted in accordance with Volume 5, Chapter 3.

c. The host nation reports required in Annex 7 will require reconciliation of Program Review Board approved projects versus disbursements.

8. Audits and Program Reviews

The administration, use, and accounting of seized and vested assets will be subject to periodic audits by DoD's internal review and audit organizations, including the DoD Inspector, as well as external organizations such as the Government Accountability Office and congressional oversight committees. All officials responsible for administering vested and seized assets shall cooperate fully with any review, audit, or investigation conducted by such organization.

Figure 5-1. Journal Voucher

Optional Form 1017-G (9-79)
Title 7, GAO Manual
501017-810

JOURNAL VOUCHER

J.V. No. 25
Date 5 May 20XX

REFERENCE	EXPLANATION	DEBIT	CREDIT
DEBIT VOUCHER # 475129	Transfer Vested Funds From FRB ON SF 5515. OF1017G will be used to increase the DO accountability under General Ledger control. The account to be cited is : XX X XXXX XXXXX (Treasury Account Symbol will be established) DSSN: 8551 DATE OF SF 5515: 5 May 2003		20,000.000.00
	Total		20,000.000.00

Prepared By Darrell Johnson
(Signature)

Deputy Disbursing Officer
(Title)

Approved By Hank Snow
(Signature)

Deputy Disbursing Officer
(Title)

ANNEX 6 MONTHLY INVENTORY REPORT OF SEIZED PROPERTY

A. Purpose and Applicability

This annex addresses the duties, responsibilities and procedures to be followed by the designated DO or designated government financial activity supporting the host nation's interim government in preparing monthly reporting of vested and seized property.

B. Responsibilities

The designated executive agent having custody of the seized assets shall prepare monthly reports describing all vested and seized property in the possession of host nation officials. These reports shall distinguish between vested and seized property.

The designated executive agent having custody of the seized assets shall submit the monthly reports under cover memorandum to host nation and the Under Secretary of Defense (Comptroller), with copies furnished to the Principal Deputy Under Secretary of Defense (Comptroller), Director, the appointed Executive Agent's Resource Management Directorate no later than close of the fifth business day of the month following the month being reported.

C. Reporting Procedures

1. Follow the attached sample report format.

2. Instructions

a. Report Title - enter the name of the month and the year in the title of the report.

b. Line 1.A.1 – enter the beginning balance of the vested cash in possession of U.S. government officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the beginning balance for June will be the ending balance from May).

c. Line 1.A.2 – enter the amount of vested cash disbursed during the month being reported.

d. Line 1.A.3 – enter the amount of vested cash deposited to financial institutions and no longer in the possession of host nation officials.

e. Line 1.A.4 - enter the amount of collections.

f. Line 1.A.4.1 - this line will include the amount of cash collected back into the disbursing office.

g. Line 1.A.4.2 - enter the amount of vested cash collected during the month.

h. Line 1.A.5 - enter the total of Line 1.A.1 minus Line 1.A.2 minus Line 1.A.3 plus Line 1.A.4.1 plus Line 1.A.4.2 (Line 1.A.1 – Line 1.A.2 – Line 1.A.3 + Line 1.A.4.1 + Line 1.A.4.2). This is the amount of newly vested cash in the possession of host nation officials.

i. Table 1.B – Non-Cash Assets Vested and Divested – provide, in table format, a listing of vested non-cash property by category (e.g., jewelry, arms, equipment, artwork, etc.), a brief description and item count for such property in the possession of host nation officials. This table shall include a cumulative listing of all vested non-cash property in the possession of host nation officials.

(1) Column 1 – enter the category of the non-cash property.

(2) Column 2 – enter a brief description of the items within the category in Column 1.

(3) Column 3 – enter the beginning count of items in the possession of host nation officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the June beginning balance will be the May ending balance).

(4) Column 4 – enter the entity to which the host nation official divested the non-cash property.

(5) Column 5 – enter the count of items divested.

(6) Column 6 – enter the sum of Column 3 minus Column 5 (Column 3 – Column 5).

j. Line 2.A.1 – enter the beginning amount of seized cash (US dollars) in the possession of host nation officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the beginning balance for June will be the ending balance from May).

k. Line 2.A.2 – enter the amount of seized cash (U.S. dollars) verified as authentic currency during the reporting period and available for disbursement.

l. Line 2.A.3 – enter the amount of seized cash verified as counterfeit.

m. Line 2.A.4 – enter the sum of Line 2.A.1 minus Line 2.A.2 minus Line 2.A.3 (Line 2.A.1 – Line 2.A.2 – Line 2.A.3). This amount represents the amount of seized cash (U.S. dollars) in the possession of host nation officials that has not been verified as authentic currency and available for disbursement.

n. Line 2.A.5 – for the first monthly report enter 0.00 (zero). After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the beginning balance for June will be the ending balance from May).

o. Line 2.A.6 – enter the amount of seized cash (U.S. dollars) verified as authentic currency during the month and available for disbursement.

p. Line 2.A.7 - enter the amount of seized cash (U.S. dollars) disbursed during the month being reported.

q. Line 2.A.8 – enter the amount of seized cash (U.S. dollars) deposited to financial institutions and no longer in the possession of host nation officials.

r. Line 2.A.9 – enter the amount of seized cash (U.S. dollars) collected during the month. This amount will include the amount of cash collected back into the disbursing office.

s. Line 2.A.10 – enter the sum of Line 2.A.5 minus Line 2.A.6 minus Line 2.A.7 plus Line 2.A.8 plus Line 2.A.9 (Line 2.A.5 – Line 2.A.6 – Line 2.A.7 + Line 2.A.8 + Line 2.A.9).

t. Table 2.B – Coin/Currency (Non-U.S. dollars) – enter, in table format, a listing of seized coin/currency (Non-U.S. dollars), by country, monetary unit (franc, pound, Canadian dollar, etc.) and amount, in the possession of host nation officials.

(1) Column 1 – enter the name of the country and monetary unit of seized coin/currency (Non-U.S. dollars) in the possession of host nation officials.

(2) Column 2 – enter the beginning count of items in the possession of host nation officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the June beginning balance will be the May ending balance).

(3) Column 3 – enter the entity to which the host nation official released the coin/currency (Non-U.S. dollars).

(4) Column 4 – enter the amount of the coin/currency (Non-U.S. dollars) released.

(5) Column 5 – enter the sum of Column 2 minus Column 4 (Column 2 – Column 4).

u. Table 2.C – Non-Cash Assets – enter, in table format, a listing of seized non-cash property by category (e.g., jewelry, arms, equipment, artwork, etc.), a brief description and item count in the possession of host nation officials.

(1) Column 1 – enter the category of the non-cash assets.

(2) Column 2 – enter a brief description of the items within the category in Column 1.

(3) Column 3 – enter the beginning count of items in the possession of host nation officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the June beginning balance will be the May ending balance).

(4) Column 4 – enter the entity to which the host nation official released the non-cash assets.

(5) Column 5 – enter the count of items released.

(6) Column 6 – enter the sum of Column 3 minus Column 5 (Column 3 – Column 5).

v. The disbursing officer certifies the accuracy of the data on the report by signing and dating the report.

w. Footnote the amount of non-U.S. currency in the disbursing officer's possession but not verified as of the end of the reporting period and verified amount of counterfeit U.S. currency for the reporting period.

Figure 6-1. Sample Monthly Inventory Report of Vested and Seized Assets for the Month Ending December 2007

1. VESTED ASSETS

A. CASH

1. Beginning Balance $1,700,000,000.00

2. Less: Disbursements 500,000,000.00

3. Less: Deposits to Financial Institutions 100,000,000.00

4. Plus: Collections 100,000,000.00
4.1 Cash collected back into DO $70,000,000.00
4.2 Newly Vested Cash in possession of Host nation Officials $30,000,000.00

5. Ending Balance $1,200,000,000.00

B. NON-CASH PROPERTY VESTED AND DIVESTED

1. CATEGORY	2. DESCRIPTION	3. BEGINNING COUNT	4. DIVESTED TO	5. COUNT DIVESTED	6. ENDING COUNT
Jewelry	Gold rings	50			50
Arms	Pistols	5			5
Artwork	Oil Painting	2	Museum	2	0

2. SEIZED ASSETS

A. CASH (U.S. DOLLARS)

1. Beginning Amount Seized (Unverified) $650,000,000.00

2. Amount Verified (Available for Disbursement) 50,000,000.00

3. Amount Verified (Counterfeit) 10,000,000.00

Figure 6-1. Sample Monthly Inventory Report of Vested And Seized Assets for the Month Ending December 2007 (Continued)

4.	Ending Amount Seized (Unverified)	590,000,000.00
5.	Beginning Amount Verified (Available for Disbursement)	0.00
6.	Plus: Amount Verified This Period	50,000,000.00
7.	Less: Disbursements	25,000,000.00
8.	Less: Deposits to Financial Institutions	0.00
9.	Plus: Collections	0.00
10.	Ending Amount Verified (Available for Disbursement)	$25,000,000.00

B. COIN/CURRENCY (NON-U.S. DOLLARS) SEIZED AND RELEASED

1. COUNTRY AND UNIT	2. BEGINNING AMOUNT	3. RELEASED TO	4. AMOUNT RELEASED	5. ENDING AMOUNT
Italian lira	60			60
Canadian dollar	200			200
Any foreign currency	1,000	Any Central Bank	1,000	0

C. NON-CASH ASSETS SEIZED AND RELEASED

1. CATEGORY	2. DESCRIPTION	3. BEGINNING COUNT	4. RELEASED TO	5. RELEASED COUNT	6. ENDING COUNT
Jewelry	Gold bracelets	10			10
Equipment	Tanks	1	Coalition Forces	1	0
Equipment	100mm howitzer	4			4

Footnote: Include amount of non-U.S. currency in possession of host nation but not verified as of the end of the reporting period.
Footnote: Include verified amount of counterfeit U.S. currency.

Disbursing Officer Signature_____ Date_____

ANNEX 7 MONTHLY DISBURSEMENT REPORT

A. Purpose and Applicability

This annex addresses the duties, responsibilities, and procedures to be followed by the host nation's interim government in preparing monthly disbursement reports for vested and seized assets.

B. Responsibilities

The host nation interim government shall prepare monthly reports describing the purposes, amounts and recipients of all cash disbursements of vested and seized assets. This report will include cash disbursements only; non-cash assets, included coin/currency (non-U.S. dollars), either divested or released are reported in the Monthly Inventory Report of Vested and Seized Assets (Annex 6). These reports shall distinguish between disbursements of vested and seized assets. The report must be reconciled with official accounting records.

The host nation interim government shall submit the monthly reports under cover memorandum to the Under Secretary of Defense (Comptroller) with copies furnished to the Director, Resource Management, of the designated executive agent no later than close of the tenth business day of the month following the month being reported.

C. Reporting Procedures

1. Follow the report format at Figure-1.

2. Instructions

a. Table 1 – Vested Assets

(1) Column 1 – enter a brief description of the purpose for the cash disbursements. The descriptions should be the same as the descriptions shown on the spending plans (Annex 4).

(2) Column 2 – enter a brief description of the recipients of the cash disbursements. The detail information regarding the entity receiving the cash disbursements is required as part of the supporting documentation to the disbursement vouchers as provided for in the Allocation and Disbursement Procedures for host nation interim government (Annex 5).

(3) Column 3 – enter the dollar amount of the cash disbursements. NOTE: the total of Column 3 will be reported on the Monthly Inventory Report of Vested and Seized Assets, Line 1.A.2 (Annex 6).

b. Table 2 – Seized Assets

(1) Column 1 – enter a brief description of the purpose for the cash disbursements. The descriptions should be the same as the descriptions as shown on the spending plans (Annex 4).

(2) Column 2 – enter a brief description of the recipients of the cash disbursements. The detail information regarding the individual recipients of the cash disbursements is required as part of the supporting documentation to the disbursement vouchers as provided for in the Allocation and Disbursement Procedures for host nation interim government (Annex 5).

(3) Column 3 – enter the dollar amount of the cash disbursements. NOTE: The total of Column 3 will be reported on the Monthly Inventory Report of Vested and Seized Assets, Line 2.A.6 (Annex 6).

Figure 7-1. Sample Monthly Disbursement Report for the Month Ending December 2007

1. VESTED ASSETS

1. PURPOSE	2. RECIPIENTS	3. AMOUNT
Monthly Payroll	Oil Workers	$25,000,000.00
Security Alarms	Museum	$50,000,000.00
TOTAL		$75,000,000.00

2. SEIZED ASSETS

1. PURPOSE	2. RECIPIENTS	3. AMOUNT
Monthly Payroll	Oil Workers	$25,000,000.00
Security Alarms	Museum	$50,000,000.00
TOTAL		$75,000,000.00

Disbursing Officer, Host Nation Interim Government **DATE**

ANNEX 8 REPORTING OF VESTED AND SEIZED ASSETS ON THE DOD FINANCIAL STATEMENTS

A. Purpose and Applicability

This annex addresses the duties, responsibilities, and procedures to be followed by the designated executive agent and the Defense Finance and Accounting Service (DFAS) in preparing consolidated financial statements in support of the host nation interim government's vested and seized assets.

B. Responsibilities

The Executive Agent and DFAS are responsible for reporting activity of vested and seized assets on the Department of Defense (DoD) consolidated financial statements.

C. Procedures

1. Seized asset activity shall be reported on the DoD consolidated financial statements and on the executive agent's financial statements. These activities relate to the receipt, management, and disposition of cash and negotiable instruments held by the DoD. Nonentity seized cash will be included as Fund Balance with Treasury on the face of the DoD consolidated Balance Sheet and the executive agent's balance sheets. The Nonentity Assets Note to the financial statements shall contain sufficient disclosure to provide the reader with an understanding of the source of the seized assets, applicable laws and regulations, and how the assets were used.

2. Vested assets shall be included in the General Fund financial statements of the executive agent and the DoD consolidated financial statements. Vested assets will be distinguishable from other entity assets only in the footnotes to the financial statements. The note to the financial statements shall contain sufficient disclosure to provide the reader with an understanding of the source of the vested assets, applicable laws and regulations, and how the assets were used.

3. Additional information regarding the financial statements is found in Volume 6B and in the quarterly guidance found on the DoD Internet website https://guidanceweb.ousdc.osd.mil under "Financial Reporting Guidance."

VOLUME 12, CHAPTER 30: "OPERATION AND USE OF GENERAL GIFT FUNDS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated September 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
300603	Updated reference from United States Standard General Ledger (USSGL) Treasury Financial Manual, Section III to USSGL Standard Financial Information Structure (SFIS) Transaction Library.	Update

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CHAPTER 30

OPERATION AND USE OF GENERAL GIFT FUNDS

3001 INTRODUCTION

300101. Purpose

This chapter prescribes the overall policy and assigns responsibilities for the acceptance, holding, administration, receipt, recording, reporting, use, investment, distribution, disbursement, and accountability of money, real property, personal property, or services to the Department of Defense (DoD) under ***section 2601 of title 10, United States Code (10 U.S.C. 2601)***.

300102. Definitions

A. Account. A special account established in the Treasury of the United States for receipt of monetary gifts and proceeds from the sale of real or personal property gifts to the Secretary of Defense or the Military Departments.

B. Acceptance Authorities. Acceptance Authorities are the appropriate concerned Secretary and all designees who may accept gifts pursuant to this chapter. The concerned Secretaries may approve additional delegations.

C. Ethics Counselor. Ethics Counselor is defined as set forth in ***DoD 5500.7-R, Joint Ethics Regulation (JER)***.

D. Gifts. Gifts include devises or bequests, and money, real property, personal property, or services.

E. Prohibited Sources. Prohibited Sources are defined as set forth in the ***JER***.

F. Services. Services include activities that benefit the morale, welfare, or recreation of members of the armed forces and their dependents or are related or incidental to the conveyance of a gift of real or personal property.

3002 AUTHORITY

300201. 10 U.S.C. 2601(a)

10 U.S.C. 2601(a) authorizes the Secretary of Defense and Secretaries of the Military Departments to accept, hold, administer, and spend any gift of money, real property, or personal property made on the condition that the gift be used for the benefit, or in connection with, the establishment, operation, or maintenance, of a school, hospital, library, museum, cemetery, or other institution or organization under a Secretary's jurisdiction.

300202. 10 U.S.C. 2601(b)

10 U.S.C. 2601(b) authorizes the Secretary of Defense and Secretaries of the Military Departments to accept, hold, administer, and spend any gift of money, real property, personal property, or services made on the condition that the gift be used for the benefit of the following individuals who are under their jurisdiction.

A. Members of the armed forces, including members performing full-time National Guard duty under ***32 U.S.C. 502(f)***, who incur a wound, injury, or illness while in the line of duty.

B. Civilian employees of the Department of Defense who incur a wound, injury, or illness while in the line of duty.

C. Dependents of such members or employees.

D. Survivors of such members or employees who are killed.

3003 DESIGNATIONS

The Secretary of Defense and the Secretaries of the Military Departments may approve additional Acceptance Authority designations under their jurisdiction. The Office of the Secretary of Defense (OSD) designations are as follows:

300301. Under Secretary of Defense (Comptroller) (USD(C))

All of the authority and responsibility granted to the Secretary of Defense in 10 U.S.C. 2601 associated with acceptance and use of such gifts has been delegated to the USD(C) in a letter signed by the Secretary of Defense on May 3, 2007.

300302. USD(C) Designations

The USD(C) prescribes additional designations of gift Acceptance Authority to the following OSD Components.

A. Under Secretary of Defense (Acquisition, Technology, and Logistics) (USD(AT&L)). On behalf of the Secretary of Defense, the USD(AT&L) has authority and responsibilities associated with acceptance and use of such gifts of real property or personal property under 10 U.S.C. 2601(a) and 2601(b) or services under 10 U.S.C. 2601(b), and may authorize the development of additional procedures for implementing policy in this chapter.

B. Under Secretary of Defense (Personnel and Readiness (USD(P&R)). On behalf of the Secretary of Defense, the USD(P&R) has authority and responsibilities associated with acceptance and use of such gifts of personal property under 10 U.S.C. 2601(a) and 2601(b) or services under 10 U.S.C. 2601(b).

C. Director, Administration and Management (DA&M). On behalf of the Secretary of Defense, the DA&M has authority and responsibility, including management responsibility, associated with acceptance and use of such gifts of personal property under 10 U.S.C. 2601(a) and 2601(b) or services under 10 U.S.C. 2601(b).

D. DoD Defense Agencies, Joint Staff, and Combatant Commands. On behalf of the Secretary of Defense, the heads of the DoD Defense Agencies, the Chairman of the Joint Chiefs of Staff, and the Commanders of the Combatant Commands have authority and responsibility associated with acceptance and use of such gifts of personal property under 10 U.S.C. 2601(a) and 2601(b) or services under 10 U.S.C. 2601(b) valued at $500,000 or less. All gifts over $500,000 must be accepted by the USD(C).

E. Washington Headquarters Services (WHS). On behalf of the Secretary of Defense, the Director of the WHS has authority to accept such gifts of personal property offered to the OSD for use at facilities under his or her authority under 10 U.S.C. 2601(a) and 2601(b). The Director of the WHS also has the authority to accept such gifts of services for the benefit of individuals described in paragraph 300202 at facilities under his or her authority under 10 U.S.C. 2601(b).

3004 RESPONSIBILITIES

300401. OSD Components

The OSD Components identified in paragraphs 300301 and 300302 and Acceptance Authority designees shall ensure compliance with policy in this chapter and shall establish procedures to ensure personnel are familiar with the restrictions on accepting gifts and requirements for receiving, recording, reporting, and accounting for gifts.

300402. Military Departments

The Secretaries of the Military Departments and Acceptance Authority designees shall ensure compliance with policy in this chapter and establish procedures to ensure personnel are familiar with the restrictions on accepting gifts and requirements for receiving, recording, reporting, and accounting for gifts.

300403. Defense Finance and Accounting Service (DFAS)

The DFAS is responsible for the accounting, investing, and reporting of all such monetary gifts and proceeds from the sale of real property or personal property gifts accepted by the Acceptance Authorities and forwarded to DFAS as prescribed in section 3006.

300404. Under Secretary of Defense (Personnel and Readiness) (USD(P&R))

The USD(P&R) shall establish procedures for verifying the eligibility of individuals to receive benefits under 10 U.S.C. 2601(b) as identified in paragraph 300202.A-D and may authorize the development of additional procedures for implementing 10 U.S.C. 2601(b).

3005 ACCEPTANCE

300501. Circumstances to Decline Acceptance

Acceptance Authorities shall decline gifts under the following circumstances.

A. The use of the gift is in connection with any program, project, or activity that would result in the violation of any prohibition or limitation otherwise applicable to such program, project, or activity;

B. The gift or conditions attached to the gift are inconsistent with applicable law or regulations;

C. The use of the gift would reflect unfavorably on the ability of the Department of Defense or any personnel of the Department to carry out any responsibility or duty in a fair and objective manner;

D. The use of the gift would compromise the integrity or appearance of integrity of any program of the Department of Defense or any individual involved in such a program; and

E. Acceptance of the gift would not be in the best interests of the Department of Defense, including but not limited to the following, where it creates or requires:

1. The appearance or expectation of favorable consideration as a result of the gift;

2. The appearance of an improper endorsement of the donor, its events, products, services, or enterprises;

3. A serious question of impropriety in light of the donor's present or prospective business relationships with the Department of Defense;

4. The expenditure or use of funds in excess of amounts appropriated by Congress; and

5. Substantial expenditures or administrative efforts and maintenance that are disproportionate to any benefit.

300502. Department of Defense Personnel

Department of Defense personnel shall not solicit, fundraise for, or otherwise request or encourage the offer of a gift. Acceptance Authorities shall not accept gifts offered contrary to this policy.

300503. Related Expenses

Acceptance Authorities may pay all necessary expenses in connection with the conveyance or transfer of a gift.

300504. Offers from Prohibited Sources

Acceptance Authorities shall use increased sensitivity and scrutiny when gifts are offered from prohibited sources, as acceptance may cause embarrassment to the Department of Defense or the appearance of influencing official decisions or actions of the Department, and shall consult with their appropriate Ethics Counselor before accepting such a gift valued in excess of $10,000 to determine whether the donor is involved in any claims, procurement actions, litigation, or other particular matters involving the Department that should be considered prior to gift acceptance.

300505. Acknowledgement of Future Gifts

Acceptance Authorities may acknowledge offers of future gifts and advise the donors that acceptance will occur after actual presentation of the gifts only when they determine that such acceptance will likely occur.

300506. Acceptance through Intermediaries

Acceptance Authorities shall not accept gifts offered indirectly through an intermediary if they could not accept such gifts if offered directly from the source.

300507. Circumstances under 10 U.S.C. 2601(b)

The following circumstances also apply to gifts accepted pursuant to the authority in 10 U.S.C. 2601(b).

A. Acceptance Authorities shall consult with their appropriate Ethics Counselor before accepting gifts valued in excess of $10,000 to ensure that:

1. The gift is not offered in a manner that specifically discriminates among Department of Defense personnel merely on the basis of type of official responsibility or of favoring those of higher rank or rate of pay; and

2. The donor does not have interests that may be affected substantially by the performance or nonperformance of the Department of Defense employee's official duties.

B. Acceptance Authorities may not accept a gift of services under 10 U.S.C. 2601(b) from a foreign government or international organization. They may accept a gift of money, real property, or personal property from a foreign government or international organization under 10 U.S.C. 2601(b) only if the gift is not designated for a specific individual.

3006 RECEIPT

300601. Monetary Gifts

All monetary gifts shall be forwarded to the DFAS office servicing the Acceptance Authority via mail or an electronic funds transfer (EFT). Department of Defense officials should contact the DFAS for EFT deposit information.

300602. Gift Fund Accounts

Gifts of money and the proceeds of the sale of property gifts shall be deposited in the Treasury in the following accounts:

A. The Department of Defense General Gift Fund in the case of deposits made by the Secretary of Defense or Secretary of Defense Acceptance Authority designees.

B. The Department of the Army General Gift Fund, in the case of deposits made by the Secretary of the Army or Secretary of the Army Acceptance Authority designees.

C. The Department of the Navy General Gift Fund, in the case of deposits made by the Secretary of the Navy or Secretary of the Navy Acceptance Authority designees.

D. The Department of the Air Force General Gift Fund, in the case of deposits made by the Secretary of the Air Force or Secretary of the Air Force Acceptance Authority designees.

*300603. Accounting Transactions

Accounting entries for monetary, nonmonetary, and service type gifts are specified in the ***United States Standard General Ledger Standard Financial Information Structure*** Transaction Library.

3007 RECORDS AND REPORTS

300701. Records

A. Acceptance Authorities shall keep accurate, auditable, and timely records of all gifts and provide this information for periodic audits. The receiving organization must obtain and retain in gift fund records the required documentation and information for all gifts received including the date nonmonetary gifts were transferred to property records and the unique identifier or data element, if applicable (see property accountability requirements in section 3009). For audit purposes, the supporting documentation for monetary and nonmonetary gifts must be retained for 6 years and 3 months beyond the life of the asset.

B. Acceptance Authorities shall ensure that the following information concerning items sold is retained in the records.

1. A description of each item sold.

2. The name of the donor for each item sold.

3. The date each item was sold.

4. The name of the purchaser for each item sold.

5. The proceeds of the item sold.

6. Details of any other relevant specific information regarding each item sold.

7. If applicable, the unique identifier or data element used to track the same or similar nonmonetary item such as a Real Property Unique Identifier from the Department of Defense Real Property Unique Identifier Registry or accountable property data elements (see property accountability policy cited in section 2009).

300702. Reports

A. DFAS Standards and Compliance (Corporate Reporting) shall develop and require a standardized report for Acceptance Authorities or designees to use in order to report the following information to DFAS quarterly.

1. A description of the gift.

2. The value of the gift (estimated value if nonmonetary) to include the valuation method used.

3. The name and address of the donor(s).

4. The date each gift was received.

5. The expected useful life of the gift (the length of time in which a depreciable asset is expected to be used).

6. Details of any conditions, restrictions, or other relevant specific information regarding each gift.

7. If applicable, a unique identifier or data element used to track the same or similar nonmonetary items received or shipped from different sources (see 300701.B.7 for examples).

8. Statement explaining the benefits of accepting the gift.

9. The authority, either 10 U.S.C. 2601(a) or 2601(b), under which the gift was accepted.

B. Acceptance Authorities shall report the information in paragraph 300702.A for all monetary gifts and real property gifts along with personal property gifts with a unit value of $5,000 or more to the DFAS office servicing each Secretary (Defense, Army, Navy, and Air Force) not later than 10 days after the end of each quarter. Monetary, real property, and personal property gifts shall be reported separately.

C. The DFAS Standards and Compliance (Corporate Reporting) shall prepare a report containing the following information and forward the information to the Office of the Under Secretary of Defense (Comptroller) Deputy Chief Financial Officer not later than 30 days after the end of each quarter.

1. Separate summary values for monetary and nonmonetary gifts accepted during the quarter. Also separate as to the authority, either 10 U.S.C. 2601(a) and 2601(b), the gifts were accepted under.

2. A description of all property valued at more than $1 million. In determining whether the $1 million threshold has been met, the following procedures shall be used:

a. The value of similar items accepted during the quarter shall be added together.

b. The value of components which, if assembled, would comprise all or a substantial portion of an item or facility shall be added together.

3008 INVESTMENTS

The DFAS shall:

300801. Cash Management

Invest general gift funds in Government securities until distribution is authorized consistent with good cash management practices.

300802. Purchasing Government Securities

Follow standard operating procedures related to the accounts in paragraph 300602 for purchasing Government securities.

300803. Selling Securities

Follow standard operating procedures to initiate and complete the sale of Government securities.

300804. Maturing Securities

Maintain a tracking system that identifies impending maturities and collections of securities for the specified account and ensure appropriate reinvestment action is taken upon maturity of a security.

300805. Annual Reviews

Conduct an annual review of the account operations and transactions, including the purchase and the sale of Government securities. The objective of the review will include compliance with the Department of Defense and the Treasury policies and procedures, and adequacy of internal controls.

3009 PROPERTY ACCOUNTABILITY

Acceptance Authorities must establish procedures for receiving, accounting, and disposing of real and personal property gifts. Property accountability procedures must be addressed or referenced in general gift acceptance procedures. Property accountability procedures shall be consistent with policy prescribed in ***DoD Instruction (DoDI) 4165.70***, *Real Property Management;* ***DoDI 4165.72***, *Real Property Disposal*; and ***DoDI 5000.64***, *Accountability and Management of DoD Owned Equipment and Other Accountable Property*.

VOLUME 12, CHAPTER 31: "DOD BRANDING AND TRADEMARK LICENSING PROGRAM PROCEDURAL AND ACCOUNTING GUIDANCE"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by a * preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated October 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
310202.A	Incorporated the Under Secretary of Defense (Comptroller) April 15, 2009, policy memorandum covering responsibility details as a permanent part of the DoD Financial Management Regulation. The information clarified the responsibilities of appointees of the DoD Branding and Trademark Licensing Program.	Add
310202.E	Incorporated the Under Secretary of Defense (Comptroller) dated April 15, 2009, policy memorandum on collection of licensing fees from licensees as a permanent part of the DoD Financial Management Regulation.	Add
Multiple	Updated statutory references and hyperlinks.	Update
Multiple	Changed the designation of Director, DoD Branding and Trademark Licensing Office to Manager, DoD Branding and Trademark Licensing Program throughout the chapter.	Update

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CHAPTER 31

DOD BRANDING AND TRADEMARK LICENSING PROGRAM PROCEDURAL AND ACCOUNTING GUIDANCE

3101 OVERVIEW

310101. Purpose

This chapter establishes the policy used to account for fees received by the Department of Defense (DoD) from the licensing of trademarks, service marks, certification marks and collective marks. This program authorized under ***10 U.S.C. 2260*** is implemented by ***DoD Directive 5535.09***, "Department of Defense Branding and Trademark Licensing Program."

310102. Scope

Guidance applies to DoD Components which for the purpose of this chapter includes the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff or the Joint Staff, the United and Specified Combatant Commands, the Office of the Inspector General of DoD, the Defense Agencies, the DoD Working Capital Fund Activities, the DoD Field Activities, and all other organizational entities in DoD.

3102 RESPONSIBILITIES

310201. The Assistant Secretary of Defense for Public Affairs

The Assistant Secretary of Defense for Public Affairs is the proponent agency for the DoD Branding and Trademark Licensing Program and has overall responsibility for the operation of the program, defining program costs and establishing procedures to ensure the proper use of program funds.

310202. DoD Components

The DoD Components operating a trademark licensing program under the provisions of ***10 U.S.C. 2260*** and ***DoD Directive 5535.09*** are responsible for ensuring that:

* A. A single individual or office is designated within the DoD Component to review and approve all requests for the use of funds deposited into the Component's Budget Clearing (Suspense) Account. The designated individual or office shall be responsible for ensuring that all funds reallocated from the Suspense account into the proper receipt or expenditure account are to be used only for authorized purposes. To ensure an independent review of the request, no individual or office may both request and approve the reallocation (transfer) of such funds. The appointment of this person or office shall be done in writing in the form of an appointment order or similar document. A copy of the appointment shall be provided to the DoD Component's supporting representative at the Defense Finance and Accounting Service (DFAS) and to the Manager, DoD Branding and Trademark Licensing Program (BTLP).

A record of all requests for the transfer of funds and the action taken on them shall be retained in accordance with Volume 1, Chapter 9.

B. There is a complete and accurate accounting for all trademark licensing fees received.

C. All fees received are promptly deposited and recorded in the appropriate Treasury Index (17, 21, 57 or 97) Budget Clearing Account (Suspense) Account (F3875.002 and Defense Finance and Accounting Service (DFAS) limit 200). Guidance on processing collections can be found in Volume 5, Chapter 10.

D. Fees collected are only used for payment of costs incurred in securing trademark registrations and operating the licensing program; and for support of morale, welfare, recreation activities when fees available for a fiscal year exceed the amount needed for payment of such costs.

* E. Unless otherwise authorized by the Manager, BTLP, all licensing fees held by licensees and/or licensing agents are paid over to the DoD Component operating the program within 60 days following the end of each calendar quarter.

3103 ACCOUNTING AND REPORTING

310301. Accounting

A. Fees received in a fiscal year shall remain available for obligation in such fiscal year and the following two fiscal years.

B. The excess of licensing fees collected over annual costs may be expended to support morale, welfare, and recreation (MWR) activities. The law does not require that the excess be obligated in the fiscal year collected. The excess may be used in the two following fiscal years to offset those fiscal year costs of the licensing program or may be expended in support of the DoD Component's MWR activities. Licensing fees collected shall be deposited in the appropriate DoD Component Budget Clearing Account (Suspense) F3875.002 and DFAS limit 200.

C. Funds not obligated or made available to morale, welfare and recreation activities before September 30 of the second fiscal year following the year collected shall be reallocated (transferred) to R3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified."

D. Additional accounting codes may be used to separately track unobligated funds carried forward from the fiscal year of collection through the following two fiscal years.

E. Each DoD Component shall ensure that all royalty reports received from licensees and/or licensing agents are promptly reviewed and any questions resolved. Copies of royalty reports shall be retained in accordance with Volume 1, Chapter 9.

310302. Reporting

Each DoD Component operating a trademark licensing program shall provide the Manager, DoD Branding and Trademark Licensing Program (BTLP), with the following financial reports. The Manager, BTLP, may issue guidance prescribing the required format of the reports and the specific information to be provided.

A. Quarterly Reports. The following quarterly reports shall be forward to the Manager, BTLP, within 30 days following the end of each calendar quarter.

1. Income and Expense Report. The Income and Expense Report shall show the total fees received from trademark licensing during the preceding calendar quarter. It should also show the total costs paid for securing trademark registrations and the total costs paid for operating the trademark licensing program.

2. Other Reports. The Manager, BTLP may require other quarterly reports as the Manager deems necessary to assure compliance with reference ***DoD Directive 5535.09***.

B. Annual Reports. The following annual reports shall be forward to the Manager, BTLP, within 45 days following the end of the fiscal year.

1. Trademark Account Fund Aging Report. The Trademark Account Fund Aging Report shall show in detail the age of all funds currently in the DoD Component's Budget Clearing (Suspense) Account for Trademark Licensing and the date on which those funds will expire.

2. MWR Funding Report. The MWR Funding Report shall show all funds transferred during the preceding fiscal year to an MWR activity under the control of the Secretary concerned. If more than one MWR activity received funding, the report shall identify each activity and the amount it received. If more than one trademark licensing program is operated by a DoD Component, separate reports shall be issued for each program.

3. Other Reports. The Manager, BTLP may require other annual reports as the Manager deems necessary to assure compliance with reference ***DoD Directive 5535.09.***

VOLUME 12, CHAPTER 32: "COLLECTION AND RETENTION OF CONFERENCE FEES FROM NON-FEDERAL SOURCES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

This is the initial publication.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Entire Chapter	This new chapter supersedes the Under Secretary of Defense (Comptroller) February 12, 2007 memorandum on "Collection and Retention of Conference Fees from Non-Federal Sources	Add

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*CHAPTER 32

COLLECTION AND RETENTION OF CONFERENCE FEES FROM NON-FEDERAL SOURCES

3201 OVERVIEW

320101. Purpose

This chapter establishes the policies and procedures to be followed by Department of Defense (DoD) Components to account for conference fees collected and used in accordance with statutory authority. ***Section 2262 of Title 10, U.S.C.*** provides authority for the Secretary of Defense to collect fees in advance, either directly or by using a contract, from individuals and commercial participants attending DoD sponsored conferences, seminars, exhibits, symposiums, or similar meetings. For purposes of this chapter, a conference is defined as any form of meeting, workshop, seminar, symposium, or training session.

320102. Scope

This guidance applies to DoD Components which for the purpose of this chapter includes the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff or the Joint Staff, the Unified and Specified Combatant Commands, the Office of the Inspector General of DoD, the Defense Agencies, the DoD Working Capital Fund Activities, the DoD Field Activities, and all other organizational entities in DoD.

3202 POLICY

320201. Other Federal laws and Regulations

Although ***10 U.S.C. 2262*** authorizes the retention of conference fees, all other Federal laws and regulations, including DoD regulations regarding conferences and conference planning (***See DoD Travel Regulations***), the ***Federal Acquisition Regulation (FAR***), the ***DoD FAR Supplement***, and the ***Joint Ethics Regulation,*** must be followed. This authority does not increase or affect any other currently existing conference authority. Fiscal limitations on expenditure of appropriated funds for conference expenses apply to use of fees collected under ***10 U.S.C. 2262***.

320202. Use of Contracts for Conference Planning, Organizing, or Management

DoD Components collecting fees by contract, to include contractors under no-cost contracts, are permitted to structure such contracts to permit contractors to offset from fees collected the actual costs incurred by the contractor (to include its fee) in providing conference-related services. Fee collections in excess of such amounts shall be credited to the appropriation from which other conference costs are payable. DoD Components shall be responsible for all other provisions contained in this chapter including the oversight regarding the setting of appropriate fee amounts and the reporting of fees collected and costs paid by the contractor.

320203. Reimbursement

Collection of conference fees into appropriations is subject to the general rules of appropriation reimbursement as well as specific rules stated in ***10 U.S.C. 2262***.

320204. Ethics and Fiscal Guidance

Ethics restrictions found in the ***Standards of Ethical Conduct for Employees of the Executive Branch*** are applicable to the execution of conferences. Also follow guidance prescribed by the DoD Office of the General Counsel (***See DoD's Standards of Conduct Office (SOCO))*** paper on Conference Sponsorship and Conference Planning. In addition, DoD conference managers should consult with their own component General Counsel to ensure compliance with applicable laws and regulations.

3203 RESPONSIBILITIES

320301. Office of the Under Secretary of Defense (Comptroller), Program/Budget

The OUSD(C), P/B shall:

A. Collect and review the required conference fees reports (section 320402).

B. Ensure reporting requirements to Congress on conference costs and fees collected are met.

320302. Defense Finance and Accounting Service (DFAS)

The DFAS shall:

A. Establish a process for collecting data needed to meet conference fees statutory reporting requirements.

B. Ensure conference fee collections and disbursements are processed and recorded accurately and timely, consistent with DoD policy.

C. Take corrective action when issues accounting for these funds arise.

320303. DoD Components

The DoD Components sponsoring conferences under the provisions of ***10 U.S.C. 2262*** shall:

A. Adhere to established OUSD(C)(P/B) reporting requests.

B. Ensure there is a complete and accurate accounting for all conference fees collected.

C. Ensure that conference fees collected are only used to offset associated allowable conference expenses. Use of registration fees to pay unallowable costs not only is legally improper, but also reduces the amount of fees available to pay allowable costs..

D. Collaborate with DFAS to establish a process for collecting data needed to meet statutory reporting requirements.

E. Provide timely and accurate reporting of conference costs and fees collected that will support the OUSD(C)(P/B) reporting requirements delineated in paragraph 320402.

F. As needed, provide training to employees on using this authority.

G. Monitor conference fee collections and disbursements to assess operational or financial problems.

H. Ensure all conference fees collected directly by the Government are promptly deposited and recorded in the appropriate account. When fees are collected by contract under paragraph 320202, promptly deposit and record amounts that are in excess of actual conference costs offset by the contractor. To avoid having to credit excess fee collections to Miscellaneous Receipts, fees (attendance, vendor, and other) should be structured so as not to exceed the anticipated costs of the conference. Guidance on processing collections can be found in Volume 5, Chapter 10.

I. Assist the OUSD(C) in any investigations into funding violations.

J. Determine the conference fee amounts that are excess and promptly transfer to Receipt Account 3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified." Excess fees collected shall not be used to finance expenditures of a succeeding conference or for any other purpose. Because the statute does not allow the retention of funds in excess of costs incurred, doing so would improperly augment agency funds otherwise available for funding conference expenses.

K. Ensure that conference fees collected for one conference are not used to fund for other conferences. If more than one conference is funded by a DoD Component, the Component must maintain records sufficient to separately account for fee collections for each conference.

L. Maintain all records supporting conference fees collected under this authority in accordance with Volume 1, Chapter 9.

3204 ACCOUNTING AND REPORTING

320401. Accounting

A. Accounting for collections into appropriations is covered in the ***United States Standard General Ledger Standard Financial Information Structure Transaction Library***.

B. Except when conference planning services at no cost to the government are used and the government entity does not directly collect fees, amounts collected under ***10 U.S.C. 2262*** with respect to a conference shall be credited to the appropriation or account from which the costs of the conference are paid and must be used to pay or reimburse those costs of the Department with respect to the conference. Record conference fees collected as a appropriation reimbursement.

C. The registration fees collected must remain with the year that funds for the conference are obligated. In the event registration fees are collected in one fiscal year but the conference is conducted in the next, the fees collected shall remain in the year the conference expenses were obligated and shall be available for the same purpose and time period of that appropriation.

D. Components, agencies and activities which collect conference fees into appropriations may not augment those appropriations. Accordingly, any fees collected which exceed actual conference costs must be deposited to 3210.

320402. Reporting

A. The OUSD(C)(P/B) is required, no later than 45 days after the President submits a fiscal year budget, to submit to the congressional defense committees a report summarizing use of this authority, to include:

1. A list of all conferences conducted during the preceding two calendar years for which fees were collected under this section.

2. For each conference listed under subparagraph A.1:

a. Name of conference

b. The estimated costs to DoD for the conference

c. The actual costs to DoD for the conference

d. The total of any conference coordinator fees

e. The total of fees collected under ***10 U.S.C. § 2262*** authority for the conference

f. The total of fees used to pay for expenses of the conference

g. The total of excess fees deposited into the 3210 Receipt Account

3. An estimate of the number of conferences to be conducted during the calendar year in which the report is submitted for which the Department will collect fees under this authority.

B. All DoD components shall provide information in the following template to the OUSD(C)(P/B). Negative reports are required.

COLLECTION AND RETENTION OF CONFERENCE FEES REPORT
Component/Agency: _____

PRIOR YEAR: XXXX

Conference Name	Estimated Cost	Actual Cost	Coordinator Fees	Fees Collected	Fees Used	Fees to Receipt Account

PRIOR YEAR: XXXX

Conference Name	Estimated Cost	Actual Cost	Coordinator Fees	Fees Collected	Fees Used	Fees to Receipt Account

CURRENT YEAR ESTIMATED NUMBER OF CONFERENCES: XX

1. Display the Component or Agency, Conference Fees Report name, and dollars in thousands (with one decimal point x.x) as the header.

2. For the preceding two (2) calendar years, data elements (A.2.a-g) above must be reported for each conference.

3. Current Year Conferences: Report the estimated number of conference for which fees will be collected in the current calendar year.

4. The Collection and Retention of Conference Fees Report will be submitted 15 days after the President's Budget Submission annually to OUSD (Comptroller) P/B, Operations Directorate, Room 3C749, of the Pentagon.

***VOLUME 12, CHAPTER 33: "FINANCIAL INSTITUTIONS ON DOD INSTALLATIONS"**

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue and underlined font*.

This is the initial publication.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter contains policy on the establishment, support, operation and termination of banks and credit unions operating on Department of Defense (DoD) installations worldwide, to include Military Banking Facilities (MBFs) previously found in Volume 5, Chapter 34.	New
All	Reorganized paragraphs 3301 and 3302 to confirm to the requirements of subsection 030105.A. of the June 2015 DoD FMR revised Standard Operating Procedures. Reorganization impacted the numbering sequence of subsequent paragraphs and sections.	New
Multiple	Updated references and related hyperlinks.	Revision
330303.B.3	Updated the mailing information for the Air Force Central Locator Service.	Revision
330308	Removed the words "allotments or" in previous chapter.	Revision
330311.E	Removed the words "credit and", and consolidated subparagraph 340411.E.1 of previous chapter with 340411.E.	Revision
330311.E.2	Deleted subparagraph 340411.E.2 of previous chapter since it is addressed in Volume 7A, Chapter 42, section 4202.	Deletion
330407.D	Updated dollar threshold for construction projects requiring notification to Congress from $500,000 to $750,000.	Revision

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CHAPTER 33

FINANCIAL INSTITUTIONS ON DOD INSTALLATIONS

3301 GENERAL

330101. Purpose

This chapter prescribes guidance governing the establishment, support, operation and termination of banks and credit unions operating on Department of Defense (DoD) installations worldwide, to include Military Banking Facilities (MBFs). This chapter also provides guidance intended to ensure that arrangements for the provision of services by financial institutions are consistent among DoD Components, and that financial institutions operating on DoD installations provide, and are provided, consistent support. In addition to the DoD Components cited in Chapter 1, this chapter applies to the Uniformed Services University of the Health Sciences, all DoD nonappropriated fund instrumentalities including the Military Exchange Services and morale, welfare and recreation (MWR) activities, and all other organizations within DoD.

330102. Authoritative Guidance

This chapter implements policy pertaining to financial institutions operating on DoD installations. This policy is contained in ***DoD Instruction 1000.11***, "Financial Institutions on DoD Installations," and codified in ***Title 32, Code of Federal Regulations, Part 230***.

3302 RESPONSIBILITIES

330201. The Under Secretary of Defense (Comptroller)

The Under Secretary of Defense (Comptroller) (USD(C)) shall develop policies governing establishment, operation, and termination of financial institutions on DoD installations.

330202. The Under Secretary of Defense (Acquisition, Technology and Logistics)

The Under Secretary of Defense (Acquisition, Technology and Logistics) (USD(AT&L)) shall monitor policies and procedures governing logistical support furnished to financial institutions on DoD installations, including the use of DoD real property and equipment.

330203. The Under Secretary of Defense (Personnel and Readiness)

The Under Secretary of Defense (Personnel and Readiness) (USD(P&R)) shall advise the USD(C) on all aspects of on-base financial institution services that affect the morale and welfare of DoD personnel.

330204. The Director, Defense Finance and Accounting Service shall:

A. Develop procedures governing banks and credit unions on DoD installations for promulgation in this Regulation.

B. For domestic DoD installations, coordinate with the Secretaries of the Military Departments (or designees) on requests from subordinate installation commanders to establish or terminate banking offices or on-base credit unions. For overseas DoD installations, coordinate with the Secretary of the Military Department concerned (or designee) on requests from subordinate installation commanders to establish or discontinue the provision of financial services from the on-base financial institution under contract with DoD or to establish or terminate banking offices or credit unions located on DoD installations.

C. In coordination with affected DoD Components, authorize the specific types of banking services that will be provided by overseas MBFs and specify the charges or fees, or the basis for these, to be levied on users of these services.

D. Coordinate with the Fiscal Assistant Secretary of the Treasury on the designation of domestic and overseas MBFs as depositaries and financial agents of the U.S. Government.

E. Designate a technical representative to provide policy direction for the procuring and administrative contracting officer(s) responsible under the Federal Acquisition Regulation (FAR) for acquiring banking services required at overseas DoD installations.

F. Serve as principal liaison with banking institutions having offices on overseas DoD installations. In this capacity, monitor MBF managerial and operational policies, procedures, and operating results and take action as appropriate.

G. As necessary, assist in the formation of government-to-government agreements for the provision of banking services on overseas DoD installations, in accordance with ***DoD Directive 5530.3***, "International Agreements."

H. Provide procedural guidance to DoD Components, as required.

I. Maintain liaison with financial institution trade associations, leagues, and councils in order to interpret DoD policies toward respective memberships and aid in resolving mutual concerns affecting the provision of financial services.

J. Coordinate with the USD(P&R), through the USD(C), on all aspects of morale and welfare and with the USD(AT&L), through the USD(C), on all aspects of logistic support for on-base financial institutions.

K. Monitor industry trends, conduct studies and surveys, and facilitate appropriate dialogues on banking and credit union arrangements and cost-benefit relationships, coordinate as necessary with DoD Components, financial institutions, and trade associations as appropriate.

L. Maintain liaison, as appropriate, with financial institution regulatory agencies at federal and state levels.

M. Ensure that recommendations of the Combatant Commands are considered before processing requests for overseas banking and credit union service or related actions.

N. Maintain a listing of all geographic franchises assigned to credit unions serving DoD overseas installations.

330205. Secretaries of the Military Departments (or designees) shall:

A. For domestic DoD installations, take action on requests from subordinate installation commanders to establish or terminate financial institution operations in accordance with this guidance. For overseas DoD installations, take action in accordance with guidance contained herein on requests from subordinate installation commanders to establish or discontinue the provision of financial services from the DoD contracted banking institution, or to establish or terminate other financial institutions located on DoD installations.

B. Provide for liaison to those financial institutions that operate banking offices on respective domestic DoD installations.

C. Oversee the use of banking offices and credit unions on respective DoD installations within the guidance contained herein.

D. Evaluate the services provided and related charges and fees by respective on-base banking offices and credit unions to ensure that they fulfill the requirements upon which the establishment and retention of those services were justified.

E. Monitor practices and procedures of respective banking offices and credit unions to ensure that the welfare and interests of DoD personnel as consumers are protected.

F. Assist on-base banking offices and credit unions to develop and expand necessary services for DoD personnel consistent with this Regulation.

G. Encourage the conversion of existing domestic MBFs on respective installations to independent or branch bank status where feasible.

H. Provide logistical support to overseas MBFs under terms and conditions identified in this Regulation as well as with the applicable terms of DoD contracts with financial institutions responsible for the operations of overseas MBFs.

I. Refer matters requiring policy decisions or proposed changes to this Regulation to the USD(C) through the Director, DFAS.

J. Monitor and encourage the use of financial institutions on DoD installations to accomplish the following ends.

1. Facilitate convenient, effective management of the appropriated, nonappropriated, and private funds of on-base activities.

2. Assist DoD personnel in managing their personal finances through participation in programs such as direct deposit and regular savings plans, including U.S. Savings Bonds. The use of on-base financial institutions shall be on a voluntary basis and should not be urged in preference to, or to the exclusion of, other financial institutions.

K. Encourage and assist duly chartered financial institutions on domestic DoD installations to provide complete financial services to include, without charge, basic financial education and counseling services. Financial education and counseling services refer to basic personal and family finances such as budgeting, checkbook balancing and account reconciliation, benefits of savings, prudent use of credit, how to start a savings program, how to shop and apply for credit, and the consequences of excessive credit.

L. Establish liaison, as appropriate, with federal and state regulatory agencies and financial institution trade associations, leagues, and councils.

M. Make military locator services available to on-base financial institutions in accordance with the Privacy Act guidelines in Figure 33-1.

N. Permit DoD personnel to serve on volunteer boards or committees of on-base financial institutions, without compensation, when neither a conflict of duty nor a conflict of interest is involved, in accordance with ***DoD Directive 5500.07***, "Standards of Conduct."

O. Allow DoD personnel to attend conferences and meetings that bring together representatives of on-base financial institutions, when neither a conflict of duty nor a conflict of interest is involved, in accordance with ***DoD Instruction 1327.06,*** "Leave and Liberty Policy and Procedures" and ***DoD Instruction 1400.25, Volume 630***. "DoD Civilian Personnel Management System: Leave".

330206. Commanders of the Combatant Commands shall:

A. Ensure the appropriate coordination of the following types of requests affecting financial institutions overseas.

1. Establish financial institutions in countries not presently served. Such requests will include a statement that the requirement has been coordinated with the U.S. Chief of Diplomatic Mission or U.S. Embassy and that the host country will permit the operation.

2. Eliminate any or all financial institutions on DoD installations within a foreign country. Such requests will include a statement that the U.S. Chief of Diplomatic Mission has been informed and that appropriate arrangements to coordinate local termination announcements and procedures have been made with the U.S. Embassy.

B. Monitor and coordinate military banking operations within the command area. Personnel assigned to security assistance positions will not perform this function without the prior approval of the Director, Defense Security Cooperation Agency (DSCA).

330207. Commanders of Major Commands and Subordinate Installation Commanders shall:

A. Monitor the banking and credit union program within their commands.

B. Coordinate requests to establish or construct bank and credit union offices or terminate logistical support as specified in this Regulation to banks and credit unions within their commands. Personnel assigned to overseas security assistance positions will not monitor, coordinate, or assist in military banking operations without the prior approval of the DSCA.

C. Assign, as appropriate, responsibility for subparagraphs 330207.A and B, to comptroller or resource management personnel.

D. Cooperate with financial institution associations, leagues, and councils.

E. Recognize the right of all DoD personnel to organize and join credit unions and promote the credit union movement in DoD worldwide.

F. Permit DoD personnel to serve on volunteer boards or committees of on-base financial institutions, without compensation, when neither a conflict of duty nor a conflict of interest is involved, in accordance with DoD Directive 5500.07.

G. Allow DoD personnel to attend conferences and meetings that bring together representatives of on-base financial institutions, when neither a conflict of duty nor a conflict of interest is involved, in accordance with DoD Instruction 1327.06 and DoD Instruction 1400.25, Volume 630.

H. Seek the provision of financial services only from existing on-base financial institutions, proposing alternatives only where on-base financial institutions fail to respond favorably to a valid requirement.

I. Ensure to the maximum extent feasible, that all financial institutions operating on that installation are given the opportunity to participate in pilot programs to demonstrate new financial-related technologies or establish new business lines (e.g., in-store banking) where the respective DoD Component has determined that the offering of such services is warranted.

J. Approve requests for termination of financial services that are substantiated by sufficient evidence and forwarded to the Secretary of the Military Department concerned (or designee). The Secretary of the Military Department (or designee) shall coordinate such requests with the USD(C)/CFO, through the Director, DFAS, before notifying the appropriate regulatory agency.

3303 GENERAL POLICY PROVISIONS

330301. Financial Institutions on DoD Installations

In accordance with DoD Instruction 1000.11, financial institutions or branches thereof, shall be established on DoD installations only after approval by the Secretary of the Military Department concerned (or designee) and the appropriate regulatory agency.

A. Except in limited situations overseas, only banking institutions insured by the Federal Deposit Insurance Corporation and credit unions insured by the National Credit Union Share Insurance Fund, or by another insurance organization specifically qualified by the Secretary of the Treasury, shall operate on DoD installations. These financial institutions may either be State or federally chartered; however, U.S. credit unions operated overseas shall be federally insured.

B. MBFs shall be established on DoD installations only when a demonstrated and justified need cannot be met through other means. The provisions for the Department of the Treasury to establish MBFs are contained in ***Title 12, United States Code (U.S.C.), section 265***. Normally, MBFs shall be authorized only at overseas locations. This form of financial institution may be considered for use at domestic DoD installations only when the cognizant DoD Component has been unable to obtain, through normal means, financial services from a State or federally chartered financial institution authorized to operate in the State in which the installation is located. During mobilization, it may become necessary to designate additional MBFs as an emergency measure. The Director, DFAS, may recommend the designation of MBFs to the Department of the Treasury.

C. Expansion of financial services (to include in-store banking) requiring the outgrant of additional space or logistical support shall be approved by the installation commander. Any DoD activity or financial institution seeking to expand financial services shall coordinate such requests with the installation bank and credit union liaison officer prior to the commander's consideration.

D. Retail banking operations shall not be performed by any DoD Component. Solicitations for such services shall be issued, or proposals accepted, only in accordance with the policies identified in DoD Instruction 1000.11 or this chapter.

E. Installation commanders shall not seek the provision of financial services from any entity other than the on-base banking office or credit union.

F. Military disbursing offices, nonappropriated fund instrumentalities (including MWR activities and the Military Exchange Services), and other DoD Component activities requiring financial services shall use on-base financial institutions to the maximum extent feasible.

G. Nonappropriated fund instrumentalities (including MWR activities and the Military Exchange Services) that desire and are authorized to provide accommodation exchange services shall acquire foreign currency from the servicing MBF at the MBF wholesale rate and sell it at a rate of exchange no more favorable than the customer rate available at the MBF.

330302. Security

The installation commander (or designee) and officials of the on-base financial institutions shall work with the installation security authorities to establish an understanding as to each entity's responsibilities. The on-base financial institutions are encouraged to establish an ongoing relationship with installation security authorities on all matters of asset protection.

A. A written agreement shall be established outlining the security procedures that the financial institution will follow and the role that installation security authorities will play with regard to alarms, movement of cash, and procedures to be followed in response to criminal activity (e.g., armed robbery).

B. Cash and other assets in on-base banking offices and credit unions are the property of those financial institutions. Maintenance of alarms and use of armored cars is the sole responsibility of the on-base financial institution. The on-base financial institution is also solely responsible for the guarding or escorting of cash unless a determination is made by the installation commander that providing such services is desirable or necessary.

330303. Central Locator Services

Military locator services shall be provided per the Privacy Act guidelines in Figure 33-1.

A. When appropriate, installations will process financial institution requests for central locator service to obtain military addresses of active duty personnel. This service will be used to locate persons for settling accounts, and recovering funds on checks that did not clear or loans that are delinquent or in default (see ***DoD Instruction 1344.09***). If delinquent loans or dishonored checks are not recouped within 48 hours, financial institutions operating on DoD installations may bring this information to the attention of the local commander, bank liaison officer, or other designee for assistance in effecting restitution of the amount due, if not otherwise prohibited by law. The financial institution will pay the appropriate fee for each request to the respective Military Department (see Volume 11A, Chapter 4).

B. The DoD Components shall assist financial institutions to locate DoD personnel whose whereabouts cannot be locally determined. The request should be on the financial institution's letterhead, include the Service member's name and social security number, and cite the cognizant Military Service regulation that authorizes the use of locator services. If a financial institution needs immediate service, the cognizant institution official should contact the bank or credit union liaison officer.

1. For addresses of Department of the Army active, retired and separated personnel, financial institutions may telephone (502) 613-4400 or write to:

Department of the Army
U.S. Army Human Resources Command
Attn: AHRC-FOI
1600 Spearhead Division Ave.
Fort Knox, KY 40122-5504

2. For addresses of Department of the Navy active, retired and separated personnel, financial institutions may telephone 866-U-ASK-NPC ((866)-827-5672)) or write to:

Navy World Wide Locator
Navy Personnel Command
PERS 1
5720 Integrity Dr.
Millington, TN 38055-3120

* 3. For addresses of Department of the Air Force active, retired and separated personnel, financial institutions may telephone (210) 565-2660 or write to:

Air Force Personnel Center
HQAFPC/DS1W
550 C Street West
JBSA Randolph AFB, TX 78150-4752

4. For addresses of United States Marine Corps active, retired and separated personnel, financial institutions may telephone or write to:

Active	Retired/Separated
U.S. Marine Corps	U.S. Marine Corps
HQMC Code MMSB	HQMC Code MMSR
2008 Elliot Road	3280 Russell Road
Quantico, VA 22134-5030	Quantico, VA 22134-5103
(800) 268-3710	(703) 784-9304/5

330304. Advertising

A. An on-base financial institution may use the unofficial section of that installation's daily bulletin, provided space is available, to inform DoD personnel of financial services and announce seminars, consumer information programs, and other matters of broad general interest. Announcements of free financial counseling services are encouraged. Such media may not be used for competitive or comparative advertising of, for example, specific interest rates on savings or loans.

B. An on-base financial institution may use installation bulletin boards, newsletters or web pages to post general information that complements the installation's financial counseling programs and promotes financial responsibility and thrift. Message center services may distribute a reasonable number of announcements to units for use on bulletin boards so long as this does not impose an unreasonable workload.

C. An on-base financial institution may include an insert in the installation's newcomers package (or equivalent). This insert should benefit newcomers by identifying the financial services that are available on the installation.

D. ***DoD Manual 5120.20*** prevents use of the Armed Forces Radio and Television Service to promote a specific financial institution.

E. Off-base financial institutions are not permitted to distribute competitive literature or forms on the installation. These institutions, however, may use commercial advertising, mailings or telecommunications to reach their customers.

F. Advertising in government-funded (official) installation papers is not permitted with the exception of insert advertising in the Stars and Stripes overseas. Installation newspapers funded by advertisers are not official publications and, thus, may include advertising paid for by any financial institution.

G. Installation activities, including Military Exchange Services and concessionaire outlets, shall not permit the distribution of literature from off-base financial institutions if there is an on-base financial institution. This does not prevent the Military Exchange Services from distributing literature on affinity credit card services that those Military Exchange Services may acquire centrally through competitive solicitation.

330305. Service

On-base financial institutions are encouraged to install Automated Teller Machines (ATMs) at those installation(s) on which they are located.

A. ATMs are considered electronic banking services and, as such, shall be provided only by financial institutions that are chartered and insured in accordance with the provisions of paragraph 330301.

B. Financial institutions that propose to install ATMs on DoD installations shall bear the cost of ATM installation, maintenance and operation. The installation commander may enter into an agreement with the on-base financial institution wherein the installation may acquire and provide ATMs to on-base financial institutions under certain circumstances, such as when it is advantageous to the government to have one or more ATMs available for use but the acquisition cost to the financial institution is prohibitive. No ATM shall be purchased by an installation unless approved by the Secretary of the Military Department concerned (or designee). In all such cases, installation costs and all logistic support shall be borne by the financial institution.

C. ATM approval authority is as follows:

1. The installation commander has approval authority when an on-base financial institution wishes to place an ATM on the installation. This approval should be reflected as an amendment to the operating agreement.

2. Where there is no on-base financial institution, follow the solicitation procedures to obtain financial services set forth in paragraphs 330403 and 330602.

D. The availability of ATM service shall not preclude the later establishment of a banking office should conditions change on an installation.

E. Proposals by an installation commander to install ATMs on domestic installations from other than on-base financial institutions, including the Military Exchange Services, MWR activities and/or other nonappropriated fund instrumentalities, shall be considered only when (1) ATM service is unavailable or existing service is inadequate, and (2) only when the on-base financial institution(s) either declines to provide the service, fails to improve existing service so that it is adequate, or does not formally respond to the request for such service within 30 days of the date of the request. Any ATM service from other than on-base financial institutions is considered an exception to policy. The procedures to establish an on-base financial institution set forth in paragraphs 330403 and 330602, shall be followed when soliciting for such ATM services. Proposals offering shared-access ATMs (e.g., ATMs operated by two or more financial institutions where their accountholders are not assessed any or all fees applicable to non-accountholders) shall receive preference.

F. ATM service from foreign banking institutions may be authorized on overseas installations with or without MBFs operated under contract where the installation or community commander determines that a bona fide need exists to support local national hires. On installations with MBFs operated under contract, the MBFs shall be the primary source of the ATM service except when a determination has been made by the cognizant contract program office that providing the service is either not cost effective or precluded by pertinent status of forces agreements, other intergovernmental agreements or host-country law. In those instances where ATM service from foreign banking institutions is authorized and provided by other than the on-base financial institution, ATM connectivity shall be limited to host country networks and the ATMs shall dispense only local currency (no U.S. dollars). The operating agreement covering ATM service shall be negotiated by the installation or community commander and

submitted for approval by the appropriate Combatant Commander (or designee) prior to its execution. A copy of the operating agreement will be forwarded through DoD Component channels to the DFAS.

330306. Domestic and International Treasury General Accounts

In cases where authorization will be required for the on-base banking office or credit union to act as a Treasury General Account (TGA) domestic depositary (or, on overseas installations, an International Treasury General Account (ITGA) depository), the financial institution shall satisfy the risk management standard established by the Secretary of the Treasury. Local operating funds may be used if the on-base financial institution requests reimbursement for costs incurred. On-base financial institutions shall accept deposits for credit to the TGA (or ITGA) when so authorized.

330307. Staffing

A. On-base financial institutions shall be staffed adequately (i.e., commensurate with industry standards for similar numbers of accountholders and financial services rendered). Staffing at overseas MBFs operated under DoD contract shall be maintained within negotiated ceilings.

B. All staffing shall comply fully with applicable equal employment opportunity laws and with the spirit of DoD equal employment opportunity policies as set forth in ***DoD Directive 1440.1***.

C. DoD personnel, excluding military retirees and their dependents, may not serve as directors of domestic or foreign banking institutions operating banking offices on those DoD installations where they currently are assigned. This does not preclude a member of a Reserve Component, who has been serving as a director of a domestic or foreign banking institution operating a banking office on a DoD installation, from retaining his or her directorship if called to active duty.

D. DoD personnel may not be detailed to duty with an on-base financial institution located on a DoD installation. Off-duty personnel, however, may be employed by an on-base financial institution subject to approval by the installation commander (or designee). Such employment must not interfere with the performance of the individual's official duties and responsibilities.

330308. Departure Clearance

The installation commander establishes the clearance policy for all DoD personnel leaving the installation. The on-base financial institutions shall be included as places requiring clearance. The purpose of a clearance is to report change of address, reaffirm outstanding debts, and receive financial counseling, if desired or appropriate. Clearance may not be denied in order to collect debts or resolve disputes with financial institution management.

330309. Financial Education

A. Officials of on-base financial institutions shall be invited to take part in seminars to educate personnel on personal financial management and financial services. Financial institutions shall be encouraged to provide financial education and counseling services as an integral part of their financial service offerings. Officials of on-base financial institutions shall submit advance briefing texts for approval by the installation commander to ensure that the program is not used to promote services of a specific financial institution.

B. DoD personnel who tender uncollectible checks, overdraw their accounts or fail to meet their financial obligations in a proper and timely manner damage their credit reputation and adversely affect the public image of all government personnel. For uniformed personnel, military financial counselors and legal advisors shall recommend workable repayment plans that avoid further endangering credit ratings and counsel affected personnel to protect their credit standing and career. Counselors shall ensure that such personnel are aware of the stigma associated with bankruptcy and difficulties in obtaining future credit at reasonable rates and terms and shall recommend its use only when no other alternative will alleviate the situation.

330310. Operating Agreements

A. Before operations of an on-base banking office or credit union begin, a written operating agreement (See Figure 33-2) and the appropriate real estate outgrant (i.e., a lease, permit or license issued as identified in paragraphs 330405, 330406, 330407, 330604, 330605, and 330606) shall be negotiated directly between the installation commander and officials of the designated financial institution. Thereafter, the operating agreement shall be jointly reviewed by the installation commander and the financial institution at least once every 5 years. The operating agreement shall define the basic relationship between the on-base financial institution and the installation commander and identify mutual support activities such as hours of operation, service fees and security provided. One copy of the agreement shall be sent through command channels to the Secretary of the Military Department concerned (or designee). A copy of the agreement shall be maintained by the installation commander and the banking office or on-base credit union. At a minimum, the agreement shall include the following provisions:

1. Identification of services to be rendered and the conditions for service. Full financial services shall be provided where feasible. Agreements, however, may not restrict either entity's right to renegotiate services and fees.

2. Agreement by both parties to comply with this Regulation and DoD Instruction 1000.11 (codified in ***32 CFR, 231***).

3. Agreement by the on-base financial institution that it will furnish copies of its financial reports and other local publications on an "as needed" basis in response to a formal request from the installation commander (or designee).

4. Agreement that the on-base financial institution will indemnify and hold harmless the U.S. Government from (and against) any loss, expense, claim, or demand to which the U.S. Government may be subjected as a result of death, loss, destruction, or damage in conjunction with the use and occupancy of the premises caused in whole or in part by agents or employees of the on-base financial institution.

5. Agreement that neither DoD nor its representatives shall be responsible or liable for the financial operation of the on-base financial institution or for any loss (including criminal losses), expense, or claim for damages arising from operations.

6. Agreement by the on-base financial institution (or any successor) that it will provide no less than 180 days advance written notice to the installation commander before ceasing operations.

7. Specification of the security services to be provided for guarding cash shipments, at times of unusual risk to the financial institution, and to avoid excessive insurance costs charged to that institution.

8. Statement that the physical security for cash and negotiable items will be in a manner consistent with the requirements of the on-base financial institution's insurer. A copy of those requirements will be provided to the installation commander on request.

9. Statement that the financial institution, whenever possible, will accommodate local command requests for lectures and printed materials for consumer credit education programs. Officials invited to participate in such programs shall not use the occasion to promote the exclusive services of a particular financial institution.

10. Agreement that the financial institution will reimburse the installation for the provision of logistical support (such as custodial, janitorial, and other services provided by the government) at rates set forth in the lease or agreement between the installation and the financial institution.

11. Statement that on-base financial institution operations shall be terminated, when required, under provisions specified in this Regulation.

B. Approved expansion of services will be documented as an amendment to the existing operating agreement between the installation commander and the on-base financial institution. The amendment to the operating agreement and any required lease (to include a change to an existing lease) shall be in place prior to the initiation of new financial services or offices.

330311. Installation Financial Services

A. Retail banking operations shall not be performed by any DoD Component or nonappropriated fund instrumentality including the Military Exchange Services and MWR activities or any other organizational entity within DoD.

B. Financial services provided on DoD installations will be as uniform as possible for all personnel. As separately negotiated, or based on a fee schedule, custodians of nonappropriated funds shall compensate on-base financial institutions for services received. Compensation may be made with compensating balances or paying fees based on the services provided or a combination of these payment mechanisms. Fees shall not exceed the charge customary for the financial institution less an offsetting credit on balances maintained. Banking offices shall classify nonappropriated fund accounts as commercial accounts.

C. At a minimum, banking offices shall provide the same services to individuals and nonappropriated fund instrumentalities as are available in the surrounding geographic area.

D. On-base financial institutions may conduct operations during normal duty hours provided they do not disrupt the performance of official duties. Operating hours shall be set, in consultation with the bank or credit union liaison officer, to meet the needs of all concerned. ATMs may be used to expand financial services and operating hours.

E. DoD personnel may use their allotment of pay privileges to establish sound savings practices through on-base financial institutions. The on-base financial institution shall credit customer accounts not later than the deposit date of the allotment check or electronic funds transfer.

* F. In accordance with sound lending practice, policies on loans to individuals are expected to be as liberal as feasible while remaining consistent with the overall interests of the on-base financial institution. On-base financial institutions shall conform to the Standards of ***Fairness*** principles before executing loan or credit agreements.

G. On-base financial institutions shall make basic financial education and counseling services available without charge to individuals seeking these services. Financial education and counseling services refer to basic personal and family finances such as budgeting, checkbook balancing and account reconciliation, benefits of savings, prudent use of credit, how to start a savings program, how to shop and apply for credit, and the consequences of excessive credit. DoD personnel in junior enlisted or civilian grades, or newly married couples who apply for loans, shall be given special attention and counseling.

H. On-base financial institutions must strive to provide the best service to all customers. On-base financial institutions that evidence a policy of discrimination in their services are in violation of Volume 12, Chapter 33. In resolving complaints of discrimination, use the procedures specified in subparagraph 330408.H.

I. All correspondence regarding on-base financial institutions, and questions concerning their operation that cannot be resolved locally, shall be referred through command channels to the Secretary of the Military Department concerned (or designee) for consideration.

3304 DOMESTIC BANKS

330401. General Policy

Given their role in promoting morale and welfare, on-base banks shall be recognized and assisted by DoD Components at all levels.

330402. Establishment

A. The following information shall be included in the installation commander's request to the Secretary of the Military Department concerned (or designee) for establishment of banking offices:

1. The approximate number of DoD personnel at the installation, and other persons who may be authorized to use the banking office.

2. The distance between the installation and the financial institutions in the vicinity, and the names of those institutions.

3. Available transportation between the installation and the financial institutions listed in subparagraph 330402.A.2.

4. The number of DoD personnel in duty assignments that confine them to the installation or who cannot obtain transportation (such as hospital patients).

5. The name and location of the depositary used to make official deposits for credit to the TGA.

6. A list of organizational and nonappropriated fund accounts, the name and location of the financial institutions where deposited, and the average daily activity and balance of each account.

7. A written description and photographs of the space proposed for banking office use.

8. A statement listing the requirements of the proposed banking office for safes and a vault, alarm systems, and surveillance equipment, when necessary.

9. Reasons for use of space controlled by the General Services Administration (GSA). All the GSA-assigned space, whether leased space or federal office building space, is reimbursable to the GSA at the standard level user charge. As such, space occupied by a banking office to serve military needs will be assigned and charged by the GSA.

10. Any other information pertinent to the establishment of a banking office.

B. The Secretary of the Military Departments (or designee) shall:

1. Review each request for the establishment of banking offices.

2. Conduct a solicitation for the services when warranted.

3. Approve proposals for banking offices.

4. Notify the selected financial institution either directly or through the installation commander. The selected banking institution will, in turn, obtain operating authority from their regulating agencies.

5. Forward proposals to establish TGAs to the DFAS for subsequent forwarding to the Fiscal Assistant Secretary of the Treasury in accordance with Chapter 5.

330403. Solicitations

The Secretary of the Military Department concerned (or designee), or the installation commander with advice from the cognizant Secretary of the Military Department (or designee), shall conduct solicitations to include pre-proposal conferences for on-base banking. Subject to the criteria for selection outlined in subparagraph 330403.D, the preferred sources of on-base financial services at domestic installations are federally-insured, state-chartered or federally-insured, federally-chartered banking institutions operating in the local area. Subparagraph 330403.A addresses distribution of the solicitation only and does not preclude any federally-insured, state-chartered or federally-insured, federally-chartered banking institution from responding at any stage (from local distribution in subparagraph 330403.A.1, to publication in ***FedBizOpps*** and financial institution trade journals as outlined in 330403.A.3) of the solicitation process. No commitment may be made to any banking institution regarding its proposal until a designation is made by the appropriate regulatory agency.

A. Solicitations for banking services shall be accomplished in the following order:

1. Solicitation letters will be sent to local banking institutions and a solicitation announcement will be published in the local newspaper(s) and forwarded to financial institution associations.

2. If the Secretary of the Military Department concerned (or designee) or, where delegated, the installation commander, determines that the geographic scope of the solicitation needs to be expanded, a prospectus will be forwarded to financial institutions in a larger geographic area, as well as financial institution associations and regulatory authorities in the state where the installation is located.

3. If the Secretary of the Military Department concerned (or designee) or, where delegated, the installation commander, determines that the geographic scope of the solicitation needs to be expanded further, the prospectus will be published in FedBizOpps and financial institution trade journals.

B. For solicitations conducted at the installation level, the installation commander shall review proposals to establish banking offices, select the banking institution making the best offer and forward a recommendation to the Secretary of the Military Department concerned (or designee) for final approval.

C. Banking institutions shall not be coerced when banking arrangements are under consideration or after banking offices are established. If otherwise proper, this prohibition does not preclude:

1. Discussions with banking institutions prior to submitting a proposal for a new banking office.

2. Helping banking offices extend their operations in support of an installation requirement.

3. Discussions with banking institutions to improve services or to create savings for the banking institution or DoD personnel.

4. Seeking proposals for banking service as directed by the Secretary of the Military Department concerned (or designee).

5. Negotiations preparatory to signing a banking agreement.

D. When soliciting for banking services, proposals shall be evaluated on specific factors identified in the solicitation. These factors, at a minimum, shall be predicated on the services to be provided as outlined in Figure 33-2, paragraph 3, the financial institution's schedule of service fees and charges, and the extent of logistical support required. Prior to issuance of the solicitation, the preparing office shall identify (for internal use during the subsequent evaluation period) the weights to be applied to the factors reflected in the solicitation. Proposals shall be evaluated and ultimate selection made based upon the factors and weights developed for the solicitation.

E. The Secretary of the Military Department concerned (or designee), or the installation commander with advice from the cognizant Secretary of the Military Department (or designee), shall make the selection of the banking institution based on the provisions outlined in this section.

330404. Terminations

A. Requests for termination of financial services shall be approved by the installation commander, substantiated by sufficient evidence and forwarded to the Secretary of

the Military Department concerned (or designee). The termination of banking office operations shall be initiated by the installation commander only under one of the following conditions:

1. The mission of the installation has changed, or is scheduled to be changed, thereby eliminating or substantially reducing the requirement for financial services.

2. Active military operations prevent continuation of on-base financial services.

3. Performance of the banking office in providing services is not satisfactory according to standards ordinarily associated with the financial services industry or is inconsistent with the operating agreements or the procedures prescribed herein.

4. When merger, acquisition, change of control or other action results in violation of the terms and conditions of the existing operating agreement, the Secretary of the Military Department (or designee) shall terminate the operating agreement with the existing banking institution. When the merger, acquisition, change of control or other action does not result in violation of the terms and conditions of the existing operating agreement, the Secretary of the Military Department (or designee) shall initiate a novation action of the operating agreement identifying the change in control.

B. The installation commander shall forward requests for termination to the Secretary of the Military Department concerned (or designee). The Secretary of the Military Department (or designee) shall coordinate all termination actions with the USD(C), through the Director, DFAS, before notification to the appropriate regulatory agency. Subsequent to this coordination process:

1. The Secretary of the Military Department (or designee) shall inform the regulatory agency of the action.

2. The installation commander shall revoke the authority of the financial institution to operate. The lease will be terminated.

C. Any banking office that intends to terminate its operations should notify the installation commander at least 180 days before the closing date. This notification should precede any public announcement of the planned closure. When appropriate, the commander shall attempt to negotiate an agreement permitting the banking office to continue operations until the installation has made other arrangements. Immediately upon notification of a closing, the commander shall advise the DoD Component headquarters concerned. If it is determined that continuation of banking services is justified, action to establish another banking office shall be taken in accordance with paragraph 330403.

330405. Use of Space, Logistical Support, and Military Real Property for Domestic Banks Land Leases

A. Lease Terms

1. The consideration for a lease shall be determined by appraisal of fair market rental value in accordance with ***10 U.S.C. 2667***. Periodic reappraisals shall be based upon the fair market rental value exclusive of the improvements made by the banks.

2. The term of the lease shall not exceed 5 years except where the banking institution uses its own funds to improve existing government space as outlined in subparagraph 330405.E. If space occupied is assigned by the GSA, charges to financial institutions for space and services shall be at the GSA standard level user rate.

3. Leases shall include the following provisions:

a. The government has the right to terminate the lease due to national emergency; installation inactivation, closing, or other disposal action; or default by the lessee.

b. The lessee shall provide written notice 180 days prior to voluntarily terminating the lease.

c. Upon a lease termination, the government has the option to cause the title of all structures and other improvements to be conveyed to the United States without reimbursement, or require the lessee to remove the improvements and restore the land to its original condition.

B. Logistical Support

1. The banking office shall be housed in a building accessible to DoD personnel on the installation and in a location permitting reasonable security.

2. Banking institutions shall perform all maintenance, repair, improvements, alterations, and construction on the banking premises.

3. Banking institutions shall pay for all utilities (i.e., electricity, natural gas or fuel oil, water and sewage), heating and air conditioning, intra-station telephone service, and custodial and janitorial services to include garbage disposal and outdoor maintenance (such as grass cutting and snow removal) at rates set forth in the lease, operating agreement or other written agreement between the installation and the banking institution.

C. Leases executed before the issuance of Volume 12, Chapter 33 may not be altered solely as a result of the provisions of Volume 12, Chapter 33 unless a lessee specifically requests a renegotiation under these provisions. No lease may be negotiated or renegotiated, nor may any rights be waived or surrendered without compensation to the government.

D. When a banking institution participates in the construction of a shopping mall complex the lease shall cover only land where the banking office physically is located.

E. When a banking institution uses its own funds to improve existing government space, leases, for a period not to exceed 25 years subject to periodic review every 5 years to assess changes in fair market value, may be negotiated for a period commensurate with the appraised value of the leasehold improvements divided by the annual lease fee.

330406. Land Leases

A. A lease for construction of a building to house a banking office shall be at the appraised fair market rental value. Charges shall apply for the term of the lease not to exceed 25 years, subject to periodic review every 5 years to assess changes in fair market value.

B. If determined to be in the government's interest, an existing lease of land may be extended prior to expiration of its term. Passage of title to facilities shall be deferred until all extensions have expired. Such extensions shall be for periods not to exceed 5 years with lease payments set at the appraised fair market rental of the land only as determined on the date of each such extension. Banking institution lessees shall continue to maintain the premises and pay for utilities and services furnished.

C. When, under the terms of a lease, title to improvements passes to the government, arrangements normally will be made as follows:

1. When the square footage involved exceeds that authorized in the Unified Facilities Criteria and Unified Facilities Guide Specifications (***MIL-STD-3007F***), the banking institution shall be given first choice to continue occupying the excess space under a lease that provides for fair market rental for the land underlying that excess space.

2. The charge for continued occupancy of improved space by a banking office shall be at fair market rental value only for the associated land. The lessee shall continue to maintain the premises and pay the cost of utilities and services furnished.

330407. Construction

Banks may construct buildings subject to the following provisions:

A. The building shall be solely for the use of the banking institution and may not provide for other commercial enterprises or government instrumentalities.

B. Construction projects must meet the criteria in the Unified Facilities Criteria and Unified Facilities Guide Specifications (MIL-STD-3007F).

C. Construction Projects Approval Authority:

1. Projects costing $25,000 or more shall be approved by the Major Command with an information copy sent to the Secretary of the Military Department concerned (or designee). The Secretary of the Military Department (or designee) shall have 30 days to provide comments to the Major Command before final approval can be granted.

2. Projects costing less than $25,000, to include interior alterations and room or office additions to existing banking offices, shall be approved by installation commanders. Copies of approvals, including the identification of project cost, shall be furnished to the Secretary of the Military Department concerned (or designee).

* D. The Congress shall be notified of all construction projects, using other than appropriated funds and costing over $750,000, in accordance with *DoD Instruction* ***7700.18***, "Commissary Surcharge, Nonappropriated Fund (NAF), and Privately Financed Construction Reporting Procedures."

E. Proposals for construction of structures on installations at a banking institution's expense shall be reviewed and reported in accordance with regulations of the Military Department concerned. The following information shall be listed to support each proposal:

1. Number of DoD personnel at the installation plus others who may use the banking office

2. Square footage of the proposed building

3. Land area to be leased to the banking institution

4. Term of the lease

5. Estimated cost of construction

6. Estimated fair market value of the land to be leased

7. A statement that the banking institution will be responsible for utility connections and other utility and maintenance costs

8. A statement that the building will be used only for financial services

9. A statement that financial institution officials understand the potential loss of the building in the event of installation closure or other delimiting condition

10. Justification for a waiver of space criteria if the building exceeds that specified in the Unified Facilities Criteria and Unified Facilities Guide Specifications (MIL-STD-3007F).

F. Banks shall pay for interior alterations and maintenance as well as utilities, custodial, and other furnished services.

G. Banks shall pay all construction costs.

330408. Bank Liaison Officer

Each installation commander having an on-base banking office shall appoint a Bank Liaison Officer (BLO). The BLO's name and duty telephone number shall be displayed prominently at each banking office on the installation. As appropriate, the BLO's responsibility shall be assigned to comptroller or resource management personnel. Employees, officials or directors of a financial institution may not serve as BLOs. The BLO shall:

A. Ensure that the banking institution operating the banking office has the latest version of Volume 12, Chapter 33.

B. Ensure that traveler's checks and money orders are not being sold by other on-base organizations when banking offices are open for business. Postal units and credit unions, however, are exempt from this restriction. Also, ensure that other financial services, to include vehicle financing on domestic installations, are offered only by the banking office.

C. Attend financial workshops, conferences, and seminars as appropriate. These gatherings offer excellent opportunities for personnel of financial institutions and the Department to improve the military banking program. Free discussion among the attendees gives an excellent forum for planning, developing, and reviewing programs that improve financial services made available to DoD personnel and organizations.

D. Assist, when requested by the banking office manager or the installation commander, in locating and collecting from individuals tendering uncollectible checks, overdrawing accounts, or defaulting on loans (within the guidelines of Figure 33-1) if not otherwise prohibited by law.

E. Maintain regular contact with the banking office manager to confer and discuss quantitative and qualitative improvements in the services provided. In executing this authority, the BLO shall not become involved in the internal operations of the financial institution.

F. Review the schedule of service charges and fees annually, and ensure that the operating agreement is updated at least every 5 years. Renegotiate the financial services offered and related service charges and fees as necessary.

G. Assist in resolving customer complaints about banking services.

H. Assist in resolving complaints of discrimination with financial services by the banking institution. If a complaint cannot be resolved, a written request for investigation shall be forwarded to the appropriate regulatory agency. Any such request must document the problem and command efforts taken toward its resolution. Information copies of all related correspondence shall be sent through channels to the Secretary of the Military Department concerned (or designee) for transmittal to the DFAS.

I. Assist the installation commander to report to the appropriate regulatory agency any evidence suggesting malpractice by banking office personnel.

330409. In-Store Banking

Under the direction and approval of the installation commander, an on-base financial institution may provide in-store banking within the premises of a commissary operated by the Defense Commissary Agency, a Military Exchange, or any other on-base retail facility.

A. Provision of the requested services, and any associated stipulations, shall be documented as an amendment to the existing operating agreement between the installation commander and the on-base financial institution that will provide in-store services.

B. The amendment to the operating agreement shall be drafted through close coordination between the requesting DoD Component representative, the on-base financial institution representative, the bank liaison officer, and the installation commander (or designee). The final amendment shall be signed by the installation commander and the on-base financial institution with the acknowledgement of the DoD Component that will host the in store banking operation.

C. The installation commander shall extend the opportunity to provide the requested in-store banking services to all financial institutions located on the installation. Space shall be granted by the installation commander through a lease to the banking institution that will provide in-store service. The selection process must ensure an impartial and thorough process to select the best on-base financial institution to provide in-store banking services when such services are desired and approved by the installation commander. Consistent with DoD Component delegation, the final decision to solicit for an in-store banking office rests with the installation commander. The DoD Component seeking in-store banking (e.g., in buildings operated by the Defense Commissary Agency, Military Exchange Services and MWR activities) shall draft the solicitation letter. Close coordination among all cognizant DoD organizations is essential throughout the selection process.

1. The need for in-store banking service may be identified from either:

a. An unsolicited proposal from an on-base financial institution,

b. A DoD Component's request, or

c. An installation commander's request.

2. The cognizant installation commander (or designee) is responsible for assessing the environment and authorizing the Bank/Credit Union Liaison Officer(s) to pursue the acquisition of in-store banking services. If no authorization is given, no further action is required.

3. The cognizant installation commander shall determine whether a solicitation is required. (A solicitation shall be required whenever there are two or more financial institutions on a DoD installation.) If no solicitation is required, then the Bank/Credit Union Liaison Officer shall work directly with the on-base financial institution to obtain the requested services. Where there is neither a banking office nor an on-base credit union, use the solicitation process outlined in paragraph 330403, as supplemented by the provisions outlined in subparagraph 330409.A.

4. The solicitation letter shall identify the financial services being requested and classify these services as either mandatory or optional. In addition, the solicitation letter shall highlight any services that will be weighed as more important than others during the evaluation of the proposals. Any space consideration and terms of the proposed agreement also shall be identified in the letter.

5. The installation commander (or designee) formally shall notify the selected financial institution and request that institution to coordinate with the proper activity to begin any construction, modifications or renovations necessary to open the in-store banking office. The cognizant facility management personnel shall begin the process of obtaining the necessary outgrant instruments. Concurrently, the requesting DoD Component representative and the financial institution representative shall draft the appropriate amendment to the operating agreement. The amendment should contain provisions regarding: (a) the roles and responsibilities of all parties involved, (b) the financial services to be provided, and (c) the logistical support arrangements to include custodial services and security provisions. The amendment should be coordinated with the Bank/Credit Union Liaison Officer(s) prior to forwarding that document to the installation commander for signature. The amendment shall be signed by the installation commander (or designee) and the appropriate financial institution official with a copy furnished to the Secretary of the Military Department concerned (or designee) and the Director, DFAS (or designee).

330410. Domestic Military Banking Facilities

A. Domestic Military Banking Facilities (MBF) Establishment

1. Requests to establish MBFs shall be made only when a need for services cannot be met by other means. During mobilization, however, MBFs may be designated as an emergency measure.

* 2. Installation commanders shall send requests for an MBF with justification for its establishment through the Secretary of the Military Department concerned (or designee) to the Director, DFAS, for coordination with the Department of the Treasury. The Department of the Treasury may approve the designation of an MBF under provisions of 12 U.S.C. 265.

3. MBF operations may begin only after approval for MBF status is granted by the Department of the Treasury.

B. MBF Conversion

1. Where MBFs exist, installation commanders shall encourage their conversion to independent or branch banks.

2. Proposals from the on-base banking institution to convert an existing MBF to an independent or branch bank shall be sent through command channels to the Secretary of the Military Department concerned (or designee) for approval. The Secretary of the Military Department (or designee) shall forward the request to the Director, DFAS, for coordination with the Department of the Treasury.

3. Unsolicited proposals from banking institutions to establish independent or branch banks where an MBF exists shall be forwarded through command channels to the Secretary of the Military Department concerned (or designee). Each proposal shall be evaluated on its own merits.

a. The installation commander shall inform the banking institution operating the MBF that an unsolicited proposal for a banking office has been received and shall offer that incumbent institution the opportunity to submit its own proposal.

b. Preference to operate an independent or branch bank shall be given to the banking institution that has operated the MBF, provided that the banking service previously rendered has been satisfactory and that the institution's proposal is adequate.

C. MBF Termination

The Director, DFAS, shall coordinate the termination of a financial institution's authority to operate an MBF with the Department of the Treasury.

3305 OVERSEAS BANKS

330501. General Provisions of Banking Services Overseas

The Department acquires banking services overseas for use by authorized persons and organizations from the following sources.

A. MBFs operated under contract and authorized by the pertinent status of forces agreement, other intergovernmental agreements, or host-country law.

B. Domestic and foreign banking institutions located on overseas DoD installations. Each such institution shall be:

1. Chartered to provide financial services in that country.

2. A party to a formal operating agreement with the installation commander to provide such services.

3. Identified, where applicable, in the status of forces agreements, other intergovernmental agreements, or host-country law.

330502. Establishment

A. Overseas MBFs Operated Under Contract. Installation or community commanders requiring banking services will send a request through command channels to the Secretary of the Military Department concerned (or designee) for concurrence and subsequent transmittal to the Director, DFAS, for approval.

1. Requests to establish MBFs shall include, but are not limited to, the following information:

a. The approximate number of DoD personnel at the installation and in the community and any other persons who may be authorized to use the MBF.

b. The distance between the installation and the nearest MBF and credit union office, the names; addresses, and telephone numbers of the operators of those institutions; and the installations and communities where they are located.

c. The availability of official and public transportation between the installation or community and the nearest MBF and credit union office.

d. The name and location of the depository used to make official deposits for credit to the TGA.

e. A list of organizational and nonappropriated fund accounts, the name and location of the financial institutions where deposited, and the average daily activity and balance of each account.

f. A written description and photographs or drawings of the space proposed for MBF use. The extent and approximate cost of required alterations, including the construction of counters and teller cages.

g. A statement that recognizes the logistical support, including equipment, to be provided by the local command as detailed in paragraph 330503. The statement will include the costs of such equipment and the manner in which it will be acquired.

h. In countries where no MBFs currently are operated under contract, a statement from the cognizant Combatant Command that the requirement has been coordinated with the U.S. Chief of Diplomatic Mission or U.S. Embassy and that the host country will permit the operation in accordance with subparagraph 330206.A.1.

i. Any other pertinent information to justify the establishment of an MBF.

2. As a general rule, MBFs may be established only when the installation or community population meets the following criteria:

a. Full-time MBF. Except in unusual circumstances, a total of at least 1,000 permanent military personnel and DoD civilian employees is necessary to qualify for a full-time MBF.

b. Part-time MBF. Except in unusual circumstances, a total of at least 250 permanent military personnel and DoD civilian employees is necessary to qualify for a part time MBF.

3. If the population at a certain remote area is not sufficient to qualify under the criteria for full-time or part-time MBFs, the installation or community commander will explore all other alternatives for acquiring limited banking services before requesting establishment of an MBF as an exception to these provisions. Alternatives to limited banking services include installation of ATMs and check cashing and accommodation exchange service by disbursing officers and their agents.

4. Establishment of an overseas MBF is predicated on and requires:

a. Designation of the MBF contractor as a depositary and financial agent of the U.S. Government by the Department of the Treasury.

b. The availability of banking contractors interested in bidding for the operation of the facility and the viability of such proposals.

c. The availability of appropriated funds to underwrite such banking services.

d. Establishment of a U.S. dollar currency custody account to support banking operations.

B. Other Overseas Banking Offices. Where a need for financial services has been identified and either (1) the banking and currency control laws of certain host countries do not permit MBFs to operate on DoD installations or (2) MBFs, where permitted, have not been established, then the following applies:

1. Installation or community commanders shall send requests for banking services or unsolicited proposals from foreign banking institutions to their Major Commands with supporting data as required in paragraph 330402.A.

2. Major Commands shall forward installation or community commander requests to the Secretary of the Military Department concerned (or designee) for approval. The Secretary of the Military Department concerned (or designee) shall coordinate with the DFAS to seek the designation of the parent foreign banking institution as a depositary and financial agent of the U.S. Government by the Department of the Treasury.

3. Banking offices in this category cannot become operational until the foreign parent banking institution has been designated a depositary and financial agent of the U.S. Government. The institution also shall indicate a willingness and ability to provide collateral backing for any official and nonappropriated fund U.S. dollar deposits. Any collateral pledged shall be in a form acceptable to the DFAS and the Department of the Treasury.

330503. Logistical Support

A. Overseas MBFs Operated Under Contract

1. Given that appropriated funds support those MBFs that are operated under contract, installation or community commanders shall provide the MBFs logistical support to the maximum possible extent. Such support normally includes:

a. Adequate office space, including steel bars; grillwork; security doors; a vault, safes, or both; security alarm systems and camera surveillance equipment (where deemed necessary) that meet documented requirements of the MBF contractor's insurance carrier; construction of counters, teller cages, and customer and work areas; necessary modifications and alterations to existing buildings; and construction of new MBF premises, if necessary.

(1) The size and arrangement of space should permit efficient operations. Space assigned may not exceed that prescribed in the Unified Facilities Criteria and Unified Facilities Guide Specifications (MIL-STD-3007F).

(2) All maintenance, repair, rehabilitation, alterations, or construction for banking offices shall comply with guidelines established by the installation commander.

b. Office space in a building that is accessible to most users and permits the maximum security. In addition, office space for MBF area and district administrations and storage space for retention of records, files, and storage of supplies.

c. DoD housing on a rental basis to assigned MBF staff that are designated as key and essential MBF managerial personnel who are unable to find suitable, reasonably priced housing in the vicinity of the DoD installation, subject to the assignment procedures and other requirements of ***DoD 4165.63-M***, "DoD Housing Management."

d. Education, on a space-available, tuition-paying basis, provided by the DoD Education Activity to minor dependents of assigned staff.

e. Air conditioning, which is considered a normal utility for banking offices located at installations that qualify for air conditioning under applicable regulations. Banking space is classified as administrative space at military installations.

f. Utilities (i.e., electricity, natural gas or fuel oil, water and sewage), heating, intra-station telephone service, and custodial and janitorial services to include garbage disposal and outdoor maintenance (such as grass cutting and snow removal).

g. Defense Switched Network (DSN) voice and data communication to include, where feasible, internet access.

h. Military guards, civilian guards (for use within the installation), military police, or other protective services to accompany shipments of money. This level of protective service also shall be provided at other times as required to include replenishment of ATM currency and receipts, alarm system failures, and to avoid undue risks or insurance costs on the part of the MBF.

i. U.S. Military Postal Service access in accordance with ***DoD Directive 5101.11E***, "DoD Executive Agent for the Military Postal Service (MPS) and Official Mail Program (OMP)." Use of free intra-theater delivery system (IDS) is authorized for all routine mail sent and received between Army Post Offices (APOs) and Fleet Post Offices (FPOs) within a theater.

j. Office equipment and furniture on memorandum receipt if available from local stock. If office equipment or furniture is unavailable, statements of nonavailability shall be issued.

k. Vehicle registration and fuel sales from government-owned facilities for bank-operated vehicles if not in conflict with host government agreements. Vehicle registration shall be subject to normal fees.

l. Issuance by local commanders of invitational travel orders, at no expense to the U.S. Government when required for official onsite visits by U.S. based banking institution officials.

2. Suggestions for changes to the logistical support provisions of the MBF contract may be forwarded for consideration through command channels to the Director, DFAS.

B. Other Overseas Banking Offices

1. Logistical support provided to such offices will be negotiated with the parent foreign banking institution and incorporated into the written operating agreement.

2. Logistical support shall not exceed that provided to contract MBFs, as specified in 330503.A.

330504. Operations

A. General Conditions of MBF Operation

1. Before initiating MBF operations, a written agreement shall be negotiated directly and signed by the installation or community commander and a senior official of the banking contractor or other financial institution concerned. One copy of the agreement with U.S. banking contractors and two copies of the agreement with institutions other than U.S. banking contractors shall be forwarded through command channels to the Secretary of the Military Department concerned (or designee). The Secretary of the Military Department (or designee) shall forward one copy of the agreement with institutions other than U.S. banking contractors through command channels to the Director, DFAS. A copy of the agreement also shall be maintained at all times by the installation or community commander and the banking institution manager.

2. For MBFs operated by U.S. banking contractors, the agreement shall state operating details not set forth in the contract. Though the contract limits the number of operating hours per week, local commanders and MBF managers should set days and hours of operation to best meet local needs. Operating times may include Saturdays and evening hours when necessary to complement other retail services for DoD personnel, provided the contractor can implement that service at no additional cost to the government. When added cost is involved, the commander shall send a request including reasons for expanded or modified times of operation, through command channels, to the Secretary of the Military Department concerned (or designee) for action. If approved, the request, with recommendations, shall be forwarded to the Director, DFAS (or designee).

B. Overseas MBFs Operated Under Contract

1. General. Overseas MBFs shall operate under terms and conditions established at the time of contract negotiations and confirmed in respective contracts or contracting officer determinations.

2. Authorized Customers. DoD banking contracts specify the personnel authorized to receive service. Additionally, overseas major commanders may approve banking services for other individuals that qualify for individual logistic support under the regulations of the DoD Component concerned, provided that the use of banking services is not precluded by status of forces agreements, other intergovernmental agreements, or host-country law.

3. Services Rendered. DoD banking contracts specify the services to be rendered and related charges. Suggestions for expansion or modification of authorized services, fees or charges may be forwarded through DoD Component channels to the Director, DFAS. Proposals for any new service must be coordinated with the appropriate Combatant Command and U.S. Chief of Diplomatic Mission or U.S. Embassy to make certain that the proposal does not conflict with the status of forces agreements, other intergovernmental agreements, or host-country law.

4. Regulation to be Provided. The Director, DFAS (or designee) shall advise each U.S. banking contractor operating an overseas MBF of Volume 12, Chapter 33 and furnish a copy to the contractor.

5. Conditions of Operation

a. Part-time and payday service MBFs shall provide limited services that mirror, to the extent feasible, those provided by full-time MBFs. Since part-time MBFs operate out of nearby MBFs, installation or community commanders shall provide and fund transportation and guards for their operation.

b. Any deficiency of banking services under DoD banking contracts shall be reported to the manager of the MBF within 7 calendar days of noting the deficiency. If the problem has not been corrected within 30 calendar days after being noted, the commander shall report the problem through DoD Component channels to the Director, DFAS (or designee).

c. The MBF contractor and military disbursing officers shall establish cash management practices that minimize the cash required to conduct business.

d. Commanders shall assist MBF contractors to develop and update contingency plans for banking services in the event of hostilities or other emergencies.

e. MBF provision of foreign currency shall be in accordance with Volume 5, Chapter 13.

C. Other Overseas Banking Offices

1. Authorized Customers. The list of authorized customers shall be negotiated between the installation commander and the foreign banking institution and shall be reflected in the operating agreement. The list of authorized customers included in the operating agreement shall be consistent with the applicable status of forces agreement, other intergovernmental agreements, or host-country law.

2. Services Rendered. Services and charges shall parallel, whenever practical, the services and charges of MBFs operated under contract. Specific services shall be negotiated and included in the agreement with the foreign banking institution. A copy of the agreement shall be sent through DoD Component channels to the Director, DFAS (or designee).

3. Operating Agreements. Before agreements are executed, they will be coordinated with and approved by the cognizant Combatant Command (or designee).

4. Conditions of Operation. A foreign banking institution shall provide equipment (except that furnished by the installation or community), supplies, and trained personnel.

D. Relocation of MBF

1. When an MBF is moved from one location to another at the same installation or community, the commander shall notify the cognizant Military Department, through command channels. The Military Department shall forward the information to the Director, DFAS (or designee).

2. For all other relocations, prior approval from the Director, DFAS (or designee) shall be obtained through DoD Component channels.

E. Comments. Installation or community commanders shall send their banking comments through DoD Component channels to the Director, DFAS (or designee) for any of the following:

1. Major changes in installation population that would affect use of the MBF.

2. Opinion that the space assigned is not adequate for the efficient operation of the MBF including a statement concerning corrective action.

3. Suggestions that might improve the MBF operation, increase efficiency, or decrease costs.

4. Pending developments that may have a material impact on the MBF operation.

F. Bank Liaison Officer. The duties of the BLO are outlined in paragraph 330408.

330505. Termination

Requests to eliminate any or all MBFs in a foreign country shall include documentation that the U.S. Chief of Diplomatic Mission has been informed and that arrangements for local termination announcements and procedures have been made with the U.S. Embassy.

A. Overseas MBFs Operated Under Contract. In cases where an installation or community no longer can justify overseas MBF operations, the commander shall notify the Secretary of the Military Department concerned (or designee) through command channels.

1. The report shall state whether a part-time MBF should be established and specify the days each week that the MBF would be needed.

2. The Secretary of the Military Department (or designee) shall send this report with recommendations to the Director, DFAS (or designee).

B. Other Overseas Banking Offices. Termination actions, when required, shall be taken in accordance with the applicable clauses in the operating agreement. Notice of intent to terminate, including the closing date, shall be sent through DoD Component channels to Director, DFAS (or designee), who shall notify the Department of the Treasury so that the foreign banking institution's authority as a Depositary and Financial Agent of the U.S. Government at that location may be revoked.

3306 DOMESTIC CREDIT UNIONS

330601. General Policy

Given their role in promoting morale and welfare, on-base credit unions shall be recognized and assisted by DoD Components at all levels. These financial institutions shall provide services to DoD personnel of all ranks and grades within their respective fields of membership.

330602. Establishment

A demonstrated need for credit union services may be addressed by establishing a new full-service credit union or by opening a branch office or facility of an existing credit union under the common bond principle.

A. DoD personnel seeking to establish a new full-service credit union shall submit a proposal to the installation commander for review. In addition to the information identified in subparagraph 330402.A, the proposal shall include a request for the establishment of a field of membership that includes all personnel at the installation. Upon installation commander concurrence, the proposal shall be forwarded through DoD Component channels to the Secretary of the Military Department (or designee).

B. The Secretary of the Military Department concerned (or designee) shall:

1. Obtain a list of credit unions that could establish eligibility to serve the installation’s military members and civilian employees from the National Credit Union Administration (NCUA) Regional Office that has geographic jurisdiction and the applicable state regulatory agency.

2. Prepare and send formal solicitation letters to eligible credit unions informing them of an opportunity to establish a branch office at the installation.

3. In coordination with the installation commander, establish the criteria for selection of a specific credit union in accordance with subparagraph 330403.D. Proposals shall be evaluated, and a selection made, based upon the factors and weights developed for the solicitation.

C. Upon approval by the Secretary of the Military Department (or designee), the NCUA or applicable state regulatory agency shall be notified and asked to establish or amend the selected credit union's charter to include the new location.

D. No commitment may be made to a credit union regarding its proposal until the appropriate regulatory agency has approved the requested charter change.

330603. Terminations

A. Voluntary Credit Union Terminations

1. When a credit union plans to end operations on a DoD installation, it shall be required to notify the installation commander 180 days before the closing date. Such notification shall be required to precede public announcement of the planned closure. When appropriate, the commander shall attempt to negotiate an agreement permitting the credit union to continue operations until the installation has made other arrangements.

2. The installation commander shall inform the Secretary of the Military Department concerned (or designee) immediately upon receiving notification of a closing. The report shall include a recommendation about continued credit union service on the installation. Paragraph 330602 applies if continued service is needed.

B. Termination for Cause. If, after discussion with credit union officials, an installation commander determines that the operating policies of a credit union are inconsistent with this Regulation, a recommendation for termination of logistical support and space arrangements may be made through the Secretary of the Military Department concerned (or designee). A credit union shall be removed from the installation only with approval of the Secretary of the Military Department (or designee) after coordination with the USD(C) through the Director, DFAS, and the appropriate regulatory agency.

C. Termination in the Interest of National Defense. At the option of the government, leases may be terminated in the event of national emergency or as a result of installation deactivation, closing, or other disposal action.

D. Termination Resulting from Merger, Acquisition, or Change of Control. When merger, acquisition, change of control or other action results in violation of the terms and conditions of the existing operating agreement, the Secretary of the Military Department (or designee) shall, subsequent to coordination with the USD(C), through the Director, DFAS, terminate the operating agreement with the existing credit union. When the merger, acquisition, change of control or other action does not result in violation of the terms and conditions of the existing operating agreement, the Secretary of the Military Department (or designee) shall initiate a novation action of the operating agreement identifying the change in control.

E. Termination of Lease. The lessee shall provide written notice 180 days prior to a voluntary termination of the lease. Upon lease termination, the government has the option to cause the title of all structures and other improvements to be conveyed to the United States without reimbursement, or require the lessee to remove the improvements and restore the land to its original condition.

330604. Use of Space, Logistical Support, and Military Real Property for Domestic Credit Unions

A. Criteria for Use of Space in Government-owned Real Property or Federal Land:

1. Criteria governing the assignment of space and construction of new space for credit unions are in the Unified Facilities Criteria and Unified Facilities Guide Specifications (MIL-STD-3007F).

2. A credit union may be furnished space on a DoD installation at one or more locations for periods not exceed 5 years except where the credit union uses its own funds to improve existing government space as outlined in subparagraphs 330604.A.2.c and 330604.A.2.d. The cumulative total of space furnished shall be subject to the limitations of the Unified Facilities Criteria and Unified Facilities Guide Specifications (MIL-STD-3007F).

a. The furnishing of office space and/or land (including ATM placement) to on-base credit unions is governed by the Federal Credit Union Act (12 U.S.C ***1770***). Notwithstanding any other provision of law, upon application by any credit union, the provision of no-cost federal office space or no-cost land lease is for a period not to exceed 5 years. This is limited to credit unions if at least 95 percent of the membership to be served by the allotment of space or the facility built on the lease land is composed of individuals who are, or who were at the time of admission into the credit union, military personnel or federal employees, or members of their families. A written statement to the effect that the credit union meets the 95 percent criterion shall be required to justify and document the allotment of free government space and/or land. This statement shall be prepared on the credit union's letterhead and signed by either the chairman of the board of directors or the president. A certification shall also be required whenever there is a merger, takeover, or significant change in a field of membership. This certification shall serve as justification and documentation for the continued allocation of free government space including space renovated with credit union funds and/or the free lease of land. The statement shall be updated every 5 years and on renewal of each no-cost permit or license. (See Figure 33-3 for a sample format of the statement.)

b. Credit unions that fail to meet the 95 percent criterion shall be charged fair market rental for space provided. Except where more than one credit union exists on an installation prior to June 9, 2000, credit unions giving less than full service or not serving all assigned DoD personnel are not authorized no-cost office space.

c. When a credit union that meets the 95 percent criterion uses its own funds to expand, modify, or renovate government-owned space, it may be provided a no-cost permit or license for a period commensurate with the extent of the improvements not to exceed 25 years as determined by the DoD Component concerned. The permit or license shall be effective until the agreed date of expiration or until the credit union ceases to satisfy the 95 percent criterion. In this latter case, the no-cost permit shall be cancelled in favor of a lease immediately negotiated at fair market value under the provisions of subparagraph 330704.A.2.b. If the credit union desires, this permit or license may extend through the period identified in the original permit or license not to exceed 25 years.

d. Similarly, a credit union not meeting the 95 percent criterion that uses its own funds to expand, modify, or renovate government-owned space, may be provided a lease at fair market value for a period not to exceed 25 years subject to periodic review every 5 years to assess changes in fair market value. Duration of this lease shall be commensurate with the extent of the improvements as determined by the DoD Component concerned.

3. All space assigned by the GSA, whether leased or in a federal office building, is reimbursable to the GSA at the standard level user charge. Consequently, the GSA shall charge the benefiting DoD Component for any space assigned for credit union operations. Such space is subject to the provisions of subparagraphs 330604.A.1 and 2.

B. Logistical Support. When available, custodial and janitorial services to include garbage disposal and outdoor maintenance (such as grass cutting and snow removal), heating and air conditioning, utilities (i.e., electricity, natural gas or fuel oil, water, and sewage), fixtures, and maintenance shall be furnished without cost to credit unions occupying no-cost office space in government buildings. With the exception of intra-station telephone service, credit unions shall be required to pay for all communication services to include telephone lines, long distance data services and internet connections. Credit unions also shall pay for space alterations. Should a credit union fail to meet the 95 percent membership criterion, any logistical support furnished shall be on a reimbursable basis.

C. Leases executed before the issuance of Volume 12, Chapter 33 may not be altered solely as a result of the provisions of Volume 12, Chapter 33 unless a lessee specifically requests a renegotiation under these provisions. No lease may be negotiated or renegotiated, nor may any rights be waived or surrendered without compensation to the government.

D. When a credit union participates in the construction of a shopping mall complex the lease shall cover only land where the branch or facility physically is located.

E. Administrative Fees. All administrative fees associated with the initiation, modification, or renewal of an outgrant shall be borne by the installation, provided that the credit union satisfies the 95 percent membership criterion requirement for no-cost office space as outlined subparagraph 330604.A.2.a, and that the fees are associated with the no-cost space.

330605. Land Leases

Credit unions entering into a land lease to construct a building on a DoD installation shall be provided a no-cost land lease, if they meet the 95 percent criterion established in subparagraph 330604.A.2.a. Credit unions not meeting the 95 percent criterion shall enter into a land lease in accordance with subparagraph 330604.A.2.b and paragraph 330406.

330606. Construction

Credit unions constructing a building on a DoD installation shall do so in accordance with paragraph 330407.

330607. ATM Service

Credit unions offering ATM service shall do so in accordance with paragraph 330305.

330608. Staffing

A. On-base credit unions shall provide full service. To do so, credit union offices shall be staffed by:

1. An official authorized to act on loan applications;

2. An individual authorized to sign checks; and

3. A qualified financial counselor available to serve members during operating hours.

B. Exceptions to subparagraph 330608.A.1, may be approved by the installation commander with advice from the Secretary of the Military Department concerned (or designee) in the case of newly organized credit unions.

C. When an on-base credit union can support only minimum staffing, one of the positions required in subparagraphs 330608.A.1 or 2, also may be subsumed under the counselor duties.

D. Credit union remote service locations at the same installation may be staffed with one person alone, provided that a direct courier or an electronic or automated message service links each remote location to the credit union's main office.

330609. Credit Union Liaison Officer

When a credit union office is located on an installation, the commander shall appoint a Credit Union Liaison Officer (CULO). As appropriate, the CULO responsibility should be assigned to comptroller or resource management personnel. The CULO's name and duty telephone number shall be displayed prominently at each credit union office on the installation. Anyone who serves as a credit union board member or in any other official credit union capacity may not serve as a CULO. The duties of a CULO are the same as the duties listed for a BLO (see paragraph 330408).

330610. In-Store Banking

In-store banking services may be provided in accordance with paragraph 330409, except that:

A. Credit unions interested in submitting proposals to provide requested in-store banking services shall provide a statement from the NCUA or applicable state regulatory agency certifying the credit union's authority to offer the requested financial services to the commissary, Military Exchange, or other on-base facilities.

* B. Space granted to a credit union selected to provide in-store banking services should be issued through a no-cost license in accordance with section 170 of the Federal Credit Union Act (12 U.S.C. 1770 et seq.).

3307 OVERSEAS CREDIT UNIONS

330701. General Policy

A. Credit union services to authorized persons and organizations may be provided by domestic on-base credit unions operating under a geographic franchise.

B. The extension of credit union service overseas is encouraged consistent with the principles prescribed for domestic credit unions and with applicable status of forces agreements or other intergovernmental agreements, or host-country law.

C. Where permitted by the status of forces agreements or other intergovernmental agreements, or host-country law, only federal credit unions or federally insured state chartered credit unions may operate on overseas DoD installations. The ultimate decision to provide services overseas rests with the credit union itself.

330702. Establishment

A. Commanders shall notify the Secretary of the Military Department concerned (or designee), through command channels, when overseas credit union services are needed. Such requests shall include:

1. Full information about available space and logistical support.

2. The name and location of the nearest credit union facility or branch.

3. The distance between the installation and the nearest credit union facility or branch.

4. The availability of any official or public transportation.

5. The number of DoD personnel in duty assignments that confine them to the installation or who cannot obtain transportation (such as hospital patients).

6. In countries not presently served, a statement concurred in by the cognizant Combatant Command that the requirement has been coordinated with the U.S. Chief of Diplomatic Mission or U.S. Embassy. The statement shall include that the host country will permit credit union operations and will indicate any conditions imposed by the host country with respect to those operations.

B. Subsequent to approval of the request from the installation or community commander to establish an overseas credit union facility, the Secretary of the Military Department concerned (or designee) shall solicit proposals for the provision of full credit union services under the following provisions.

1. Where there is a DoD designated geographic franchise with a specific field of membership, the Secretary of the Military Department (or designee) shall direct the installation or community commander to contact the supporting credit union and request that a branch or facility be established. The basic decision concerning such extensions of service rests with the servicing credit union. The Director, DFAS (or designee) shall maintain a listing of all geographic franchises assigned to credit unions serving DoD overseas installations.

2. Where there is no DoD designated geographic franchise, the Secretary of the Military Department (or designee) shall:

a. Coordinate requests, through the Director, DFAS (or designee), to obtain a geographic franchise. A geographic franchise is the authorization granted to a credit union by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) to provide financial services in a specific geographic region located outside the United States, its territories and possessions.

b. Solicit proposals from credit unions currently operating on DoD installations.

c. Review proposals of interested credit unions.

d. Coordinate with field commands, as needed.

e. Recommend selection to the NCUA or applicable state regulatory agency with a copy to the DFAS and the OUSD(C), requesting that the appropriate field of membership adjustment be made. Such a recommendation shall identify the primary installations on which the credit union would operate and, if applicable, the contiguous geographic boundaries for future facilities and branches.

C. Where there is an existing field of membership, the Secretary of the Military Department concerned (or designee) shall take the following actions:

1. If a credit union on an installation terminates operation, afford any other credit union having a geographic franchise within that country an opportunity to assume the franchise being vacated. If all such institutions decline, the geographic franchise shall be offered to the federally insured credit union community. If, as a result of a credit union decision to decline service to an installation or a termination action, another credit union (a) offers to provide service, (b) meets host country requirements (if any) and (c) is assigned the former geographic franchise or portion thereof, the NCUA or the applicable state regulatory agency shall be notified and requested to make appropriate field of membership adjustments.

2. When other credit union(s) having a geographic franchise within a country decline the opportunity, or there is no other credit union having a franchise within that country, the provisions of subparagraph 330702.B.2, apply.

D. No commitment may be made to a credit union regarding its proposal until the appropriate regulatory agency has announced a selection.

330703. Logistical Support

Installation or community commanders shall provide logistical credit union support. Such support normally shall include:

A. Adequate office space, including steel bars; grillwork; security doors; a vault, safes or both; security alarm systems and camera surveillance equipment (where deemed necessary) that meet documented requirements of the credit union's insurance carrier; construction of counters, teller cages, and customer and work areas; necessary modifications and alterations to existing buildings. The size and arrangement of space should permit efficient operations. The credit union shall pay for all improvements to the space given. Space assigned may not exceed that prescribed in the Unified Facilities Criteria and Unified Facilities Guide Specifications (MIL-STD-3007F).

B. DoD housing on a rental basis to key credit union personnel unable to find suitable, reasonably priced housing in the vicinity of the DoD installation, if available.

C. Education, on a space-available, tuition-paying basis, provided by the DoD Education Activity to minor dependents of assigned staff.

D. Utilities (i.e., electricity, natural gas or fuel oil, water and sewage), heating, intra-station telephone service, and custodial and janitorial services.

E. DSN voice and data communication to include, where feasible, internet access.

F. U.S. Military Postal Service support under DoD Directive 5101.11E. The use of free IDS is authorized for all routine mail sent and received between APOs and FPOs within a theater.

G. Military guards, civilian guards (for use within the installation), military police, or other protective services to accompany shipments of money from the MBF to the credit union and return where it is impractical or not authorized to have a local armored car service or civilian police authorities entering a military installation to provide cash escort service or when the cost of obtaining such service is prohibitive. This level of protective service also shall be provided at other times as required to include replenishment of ATM currency and receipts, alarm system failures, and to avoid undue risks or insurance costs.

330704. Travel

Travel by credit union officials must be at no expense to the U.S. Government. Overseas commanders may issue invitational travel orders for official on-base visits by credit union officials at no cost to the U.S. Government.

330705. Operations

A. An overseas credit union shall confine its field of membership to individuals or organizations eligible by law or regulation to receive services and benefits from the installation. Services shall not be provided to those personnel precluded such services by the applicable status of forces agreement, other intergovernmental agreements, or host-country law.

B. The Department assigns overseas credit unions a prescribed geographic franchise. Any credit union, however, may continue to serve its members stationed overseas by mail or telecommunications, to include access to the internet.

C. A credit union proposing a new service to be offered by a branch office that is not authorized by the operating agreement shall coordinate the establishment of the new service through the cognizant Component command to the Combatant Command. The new service shall be offered only after the appropriate command's approval and coordination with the U.S. Chief of Diplomatic Mission or U.S. Embassy to ensure that the service does not conflict with the applicable status of forces agreement, other intergovernmental agreements, or host-country law.

D. Credit unions that operate full service branches shall have U.S. currency and coin available for member transactions. In areas served by currency custody accounts, transactional U. S. currency and coins shall be made available from the servicing MBF with no direct or analysis charge to the credit union, provided settlement is made via the local MBF account or equivalent arrangements are made with the MBF.

E. In countries served by MBFs operated under contract, credit unions shall purchase foreign currency only from the servicing MBF.

1. The bulk rate purchase price shall apply to currency used by the credit union to make payments to vendors or to make payroll payments.

2. Credit unions that desire and are authorized to provide accommodation exchange services to members shall acquire foreign currency from the servicing MBF at the MBF wholesale rate and sell it at a rate of exchange no more favorable than the customer rate available at the MBF.

F. Credit unions operating under a geographic franchise on an overseas DoD installation shall not publicize, display or sell vehicles on the installation.

G. The NCUA or applicable state regulatory agency may review operations of overseas credit union offices either when it examines the main credit union or at other times of its choosing. For federally insured, state chartered credit unions, the applicable state regulatory agency also may examine credit unions operations.

Figure 33-1: Guidelines for Application of the Privacy Act to Financial Institution Operations

1. The following guidelines govern the application of ***DoD Directive 5400.11*** to those financial institutions that operate under this Regulation:

A. Financial institutions and their branches and facilities operating on Department of Defense (DoD) military installations do not fall within the purview of ***5 U.S.C. 552*** et seq.

1. These financial institutions do not fit the definition of "agency" to which the Privacy Act applies: "...any executive department, Military Department, government corporation, government-controlled corporation, or other establishment in the executive branch of the government (including the Executive Office of the President), or an independent regulatory agency" (5 U.S.C. 552(e) and 552a(a)(1)).

***** 2. These financial institutions are not "government contractors" within the meaning of 5 U.S.C.552a(o), as they do not operate a system of records on behalf of an agency "...to accomplish an agency function." According to the Office of Management and Budget ***Privacy Act Guidance*** the provision relating to government contractors applies only to systems of records "...actually taking the place of a federal system which, but for the contract, would have been performed by an agency and covered by the Privacy Act." Clearly, the subject institutions do not meet these criteria.

3. Since the Act does not apply to them, these financial institutions are not required to comply with 5 U.S.C. 552a(e)(3) in obtaining and making use of personal information in their relationships with personnel authorized to use such institutions. Thus, these institutions are not required to inform individuals from whom information is requested of the authority for its solicitation, the principal purpose for which it is intended to be used, the routine uses that may be made of it, or the effects of not providing the information. There also is no requirement to post information of this nature within on-base banking and credit union offices.

B. The financial institutions concerned hold the same position and relationship to their account holders, members, and to the government as they did before enactment of ***OMB Circular A-130***. Within their usual business relationships, they still are responsible for safeguarding the information provided by their account holders or members and for obtaining only such information as is reasonable and necessary to conduct business. This includes credit information and proper identification, which may include social security number, as a precondition for the cashing of checks.

C. Financial institutions may incorporate the following conditions of disclosure of personal identification in all contracts, including loan agreements, account signature cards, certificates of deposit agreements, and any other agreements signed by their account holders or members:

Figure 33-1: Guidelines for Application of the Privacy Act to Financial Institution Operations (Continued)

> I hereby authorize the Department of Defense and its various Components to verify my social security number or other identifier and disclose my home address to authorized (name of financial institution) officials so that they may contact me in connection with my business with (name of financial institution). All information furnished will be used solely in connection with my financial relationship with (name of financial institution).

When the financial institution presents such signed authorizations, the receiving military command or installation shall provide the appropriate information.

D. Even though an agreement described in subparagraph A.3., has not been obtained, DoD may provide these financial institutions with salary information and, when pertinent, the length or type of civilian or military appointment, consistent with DoD Directives 5400.11 and ***5400.07***. Some examples of personal information pertaining to DoD personnel that normally can be released without creating an unwarranted invasion of personal privacy are name, rank, date of rank, salary, present and past duty assignments, future assignments that have been finalized, office phone number, source of commission, and promotion sequence number.

E. When DoD personnel with financial obligations are reassigned and fail to inform the financial institution of their whereabouts, they should be located by contacting the individual's last known commander or supervisor at the official position or duty station within that particular DoD Component. That commander or supervisor either shall furnish the individual's new official duty location address to the financial institution, or shall forward, through official channels, any correspondence received pertaining thereto to the individual's new commander or supervisor for appropriate assistance and response. Correspondence addressed to the individual concerned at his or her last official place of business or duty station shall be forwarded as provided by postal regulations to the new location. Once an individual's affiliation with DoD is terminated through separation or retirement, however, the Department's ability to render locator assistance (i.e., disclose a home address) is severely curtailed unless the public interest dictates disclosure of the last known home address. The Department may, at its discretion, forward correspondence to the individual's last known home address. The Department may not act as an intermediary for private matters concerning former DoD personnel who are no longer affiliated with the Department.

2. Questions concerning this guidance should be forwarded through channels to the Deputy Chief Financial Officer, Office of the Under Secretary of Defense (Comptroller), The Pentagon, Washington, DC 20301-1100.

Figure 33-2: Sample Operating Agreement Between Military Installations and Financial Institutions

NOTE: The following operating agreement template identifies general arrangement and content. Content of the actual operating agreement may vary according to the circumstances of each installation.

Operating Agreement Between (*Name of Installation*), (*State or Country Installation Located*) and (*Name of Financial Institution*)

This Agreement is made and entered into this day by and between the installation commander of (*name of installation*) in his or her official capacity as installation commander, hereinafter referred to as the "commander" and the (*name of financial institution*), having its principal office at (*location of home office*) hereinafter referred to as the "financial institution," together hereinafter referred to as "the parties." Whereas the commander and the financial institution enter into this Operating Agreement upon the mutual consideration of the promises, covenants, and agreements hereinafter contained.

1. The parties understand and agree that this Agreement shall in no way modify, change, or alter the terms and conditions of Lease Number (*number of lease*) covering the use of real property described therein, and this Agreement shall continue, subject to the termination provisions herein-after set forth, during the terms of said lease and any extensions thereof. In the case of a banking institution operating a military banking facility (MBF) overseas, this agreement will not change the conditions of the contract between the banking institution and the Department of Defense.

2. The financial institution agrees to operate a (federally or state) chartered office on-base in accordance with the policies and procedures set forth in DoD Instruction 1000.11, "Financial Institutions on Military Installations;" and Volume 12, Chapter 33 as codified in Title 32 of the Code of Federal Regulations; and, in addition for the Overseas Military Banking Program (OMBP), the policies and procedures set forth in the applicable DoD contract. The hours of operations shall be between (*hour office opens*) and (*hour office closes*), and on the following days (*week days office open*), except on government holidays when the financial institution may be closed. The Program Office for the OMBP shall notify the commander of any changes to the DoD contract.

3. The financial institution shall provide the following services:

a. Services for Individuals

(1) Demand (checking) account services

(2) Cashing personal checks and government checks for accountholders

Figure 33-2. Sample Operating Agreement Between Military Installations and Financial Institutions (Continued)

(3) Maintaining savings accounts and (any other interest-bearing accounts)

(4) Selling official checks, money orders, and traveler's checks

(5) Selling and redeeming United States savings bonds

(6) Providing direct deposit service

(7) Loan Services

(8) Electronic banking (i.e., automated teller machines, internet banking).

b. Services for Disbursing Officers

(1) Furnishing cash (if the financial institution's terms for doing so are consistent with sound management practices)

(2) Accepting deposits for credit to the Treasury General Account (where the financial institution has entered into an agreement with the Department of the Treasury).

c. Services for Nonappropriated Fund Instrumentalities and Private Organizations

(1) Demand (checking) account services, including wire transfers

(2) Savings accounts and nonnegotiable certificates of deposit or other interest-bearing accounts offered by the banking institution

(3) Currency and coin for change.

4. Service charges shall be as follows:

a. Service for Individuals

Figure 33-2. Sample Operating Agreement Between Military Installations and Financial Institutions (Continued)

(1) No fees shall be charged to individuals for the services listed in subparagraphs 3.a.(2), and 3.a.(5), except for subparagraph 3.a.(2), wherein checks drawn on other financial institutions may be treated in accordance with the financial institution's established policy. Any charge to cash a government check shall not exceed that typically charged by financial institutions in the vicinity of the installation. Fees assessed to accountholders and non-accountholders for use of automated teller machines shall be the customary service charges of the financial institution or those negotiated for base personnel per the attached schedule.

(2) Checking and savings accounts. Fees for individual checking and savings accounts shall be the customary service charges of the financial institution or those negotiated for base personnel per the attached schedule.

(3) Sale of official checks, money orders, traveler's checks and other types of financial paper. Charges for these services shall be the customary charges of the financial institution operating the on-base office.

b. Service for Disbursing Officers. No charge shall be made for the services listed in subparagraph 3.b.(2). Compensation to the financial institution shall be per its separate agreement with the Department of the Treasury. Charges, if any, for the services stated in subparagraph 3.b.(1) shall be as locally negotiated with the financial institution.

c. Nonappropriated Fund Instrumentalities and Private Organizations. State the charges or refer to a schedule of charges for funds and organizations that do not participate in a central banking program. For those activities participating in a central banking program, determine the compensation to the financial institution by account analysis.

5. It is agreed that the financial institution shall:

a. Notify the commander or designated representative of any proposed changes to the attached schedule of fees and services at least 30 days prior to implementation.

b. Follow the requirements in Volume 12, Chapter 33 and any changes thereto.

c. Comply with Department of the Treasury requirements for establishment and operation of a Treasury General Account where the financial institution agrees to act as a depository for government funds.

d. Absolve the *(Military Service)* and its representatives of responsibility or liability for the financial operation of the financial institution; and for any loss (including losses due to criminal activity), expenses, or claims for damages arising from financial institution operations.

Figure 33-2. Sample Operating Agreement Between Military Installations and Financial Institutions (Continued)

e. Indemnify, and hold harmless the United States from (and against) any loss, expense, claim, or demand, including attorney fees, court costs, and costs of litigation, to which the government may be subjected as a result of death, loss, destruction, or damage in connection with the use and occupancy of *(Military Service)* premises occasioned in whole or in part by officers, agents or employees of the financial institution operating an office of the financial institution.

f. Favorably respond, whenever feasible, to reasonable local command requests for lectures and printed materials to support consumer credit education programs, financial management program and newcomer's briefings.

g. Prominently post in the lobby of the financial institution the name, duty telephone number of the (Bank or Credit Union) Liaison Officer.

h. Accept the government travel card in all on-base ATMs operated by the financial institution.

i. Abide by the installation fire protection program, including immediate correction of fire hazards noted by the installation fire inspector during periodic fire prevention inspections.

6. The commander shall provide the following space and support:

a. Space requirements for financial institution operations shall be administered in accordance with the existing outgrant (i.e., lease, permit or license). (*Show Number of Outgrant*).

b. Utilities (i.e., electricity, natural gas or fuel oil, water and sewage), heating and air conditioning, intra-station telephone service, and custodial and janitorial services to include garbage disposal and outdoor maintenance (such as grass cutting and snow removal) on a reimbursable basis.

c. DoD housing and minor dependent education in overseas locations for MBF and credit union personnel in accordance with Volume 12, Chapter 33, subparagraphs 330503.A.1.c, 330503.A.1.d, 330703.B, and 330703.C.

d. The local commander shall determine the recurring/frequency requirement for installation access and issue the appropriate installation and/or facility access credential consistent with local security requirements using Government authoritative databases for vetting purposes, as prescribed in ***Directive-Type Memorandum 09-012,*** Interim Policy Guidance for DoD Physical Access Control.

Figure 33-2. Sample Operating Agreement Between Military Installations and Financial Institutions (Continued)

7. Termination of this Agreement shall be consistent with the termination provision of the real property lease and Volume 12, Chapter 33. The Secretary of the (*Military Department*) shall have the right to terminate this Agreement at any time. Any termination of the right of the financial institution to operate on the installation shall render this Agreement terminated without any applicable action by the commander.

8. Any provision of this Agreement that is contrary to or violates any laws, rules, or regulations of the United States, its agencies, or the state of (*state in which the financial institution is located*) that apply on federal installations shall be void and have no force or effect; however, both parties to this Agreement agree to notify the other party promptly of any known or suspected continuing violation of such laws, rules, or regulations.

9. So long as this Agreement remains in effect, it shall be reviewed jointly by the commander and the financial institution at least once every 5 years to ensure compatibility with current DoD issuances and to determine if any changes are required to the Agreement.

IN WITNESS WHEREOF, the commander and the financial institution, by their duly authorized offices, have hereunto set their hands this day of *(month, day, year).*

_____	_____
FINANCIAL INSTITUTION OFFICIAL	INSTALLATION COMMANDER

Figure 33-3: Sample Certificate of Compliance for Credit Unions

I, (*name*), Chairman of the Board of Directors or President of the (*credit union*), located at (*place*), certify that this credit union complies with the requirements of the Federal Credit Union Act (12 U.S.C. 1770), for the allotment of space in federal buildings without charge for rent or services. The provision of no-cost office space is limited to credit unions if at least 95 percent of the membership to be served by the allotment of space is composed of individuals who are, or who were at the time of admission into the credit union, military personnel or federal employees, or members of their families.

(*Date*) (*Name*_____
(Chairman of the Board of Directors or the President)

(Note: The Certificate of Compliance shall be written on credit union letterhead)

VOLUME 12, CHAPTER 34: "DIRECT ACCEPTANCE OF GIFTS BY MEMBERS OF THE ARMED FORCES, DEPARTMENT OF DEFENSE EMPLOYEES AND THEIR FAMILIES AND SURVIVORS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

This is the initial publication.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	To implement the direct acceptance of gifts from outside sources by members of the Armed Forces, civilian employees of the Department of Defense, their family members and survivors, for injuries and illnesses incurred as a result of combat and other covered circumstances required under Title 10, United States Code, section 2601a.	New Chapter

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*CHAPTER 34

*DIRECT ACCEPTANCE OF GIFTS BY MEMBERS OF THE ARMED FORCES, DEPARTMENT OF DEFENSE EMPLOYEES AND THEIR FAMILIES AND SURVIVORS

3401 GENERAL

340101. Overview

Congress enacted Title 10, United States Code (U.S.C), ***section 2601a*** which authorized the direct acceptance of gifts from outside sources by members of the armed forces and civilian employees of the Department of Defense (DoD), their family members and survivors, for injuries or illnesses incurred as a result of combat and other covered circumstances. Prior to enactment, employees and Service members were authorized to receive gifts from within the Department.

340102. Purpose

This chapter establishes policy and assigns responsibilities to implement 10 U.S.C. § 2601a. The authority in 10 U.S.C. § 2601a is in addition to, and in no way limits, any other statutory or regulatory authority of covered members or employees, their family members, and their survivors to accept gifts from non-federal entities.

340103. Authoritative Guidance

10 U.S.C. § 2601a provides authority to the Secretary of Defense to prescribe regulations allowing covered members of the armed forces, covered employees of the DoD, their family members, and their survivors to accept gifts from nonprofit organizations, private parties, and other sources outside the DoD under specified circumstances.

3402 POLICY

340201. Definitions

A. Covered Employee. A civilian DoD employee who, while an employee on or after September 11, 2001, incurred an illness or an injury under the criteria in this chapter.

B. Covered Member. A Service member who, while performing active duty, full-time National Guard duty, or inactive-duty training on or after September 11, 2001, incurred an injury or illness under the criteria in this chapter.

C. Designated Agency Ethics Official. A DoD employee appointed in writing by the head of the DoD agency to coordinate and manage the agency's ethics program.

D. Ethics Counselor. A DoD employee appointed in writing by the designated agency ethics official or designee to assist in implementing and administering the DoD component command's or organization's ethics program.

E. Family Members. Parents, siblings, spouse, biological and adopted children, and dependent relatives of covered members or employees.

F. Gift. Any gratuity, favor, discount, entertainment, hospitality, loan, forbearance, or other item having monetary value. It includes services, as well as gifts of transportation, local travel, lodgings, and meals. It does not include those items excluded from the definition of "gift" in ***5 Code of Federal Regulations (C.F.R.) § 2635.203(b)(1)-(9)***.

G. Secretary Concerned. The Secretary of a Military Department who has jurisdiction over the military reservation, installation, ship, aircraft, or facility where an event occurs that meets the criterion of this chapter. The Secretary of Defense or designee, if the event meeting the criterion of this chapter occurs at a location that is not a military reservation, installation, or facility, or where more than one Secretary has jurisdiction.

H. Survivors. Living family members of a covered member or employee who is killed.

340202. Gift to Covered Employees

Pursuant to the authority in 10 U.S.C. § 2601a, covered members of the armed forces in the DoD and covered employees of DoD, their family members, and their survivors may accept gifts directly from nonprofit organizations, private parties, and other sources outside the DoD when, while performing military duties or performing duties as a civilian employee on or after September 11, 2001, they incur an injury or illness: (1) as a direct result of armed conflict; while engaged in hazardous service; in the performance of duty under conditions simulating war; or through an instrumentality of war; (2) in an operation or area designated as a combat operation or combat zone by the Secretary of Defense; or (3) under other circumstances determined by the Secretary concerned to warrant treatment similar to members covered by the first criterion of this section.

340203. Impermissible Gifts

The authority in 10 U.S.C. § 2601a does not apply to gifts from foreign governments or international organizations or their representatives, nor does it apply to gifts that: (1) are accepted in return for being influenced in the performance of an official act; (2) are solicited or coerced; (3) are accepted in violation of any other statute or regulation, including ***18 U.S.C. § 201*** and ***209***, and ***5 C.F.R. § 2635*** and ***3601***; or (4) will reflect adversely on the DoD.

340204. Criteria for Gift Acceptance

A. Nonprofit organizations, private parties, and other sources outside DoD. The following individuals may accept gifts from nonprofit organizations, private parties, and other sources outside DoD:

a. A member of the armed forces described in subparagraph 340204.B.

b. A civilian employee of the DoD described in subparagraph 340204.C.

c. The family members of such a member or employee.

d. Survivors of such a member or employee who is killed.

B. Covered members. Applies to a member of the armed forces who, while performing active duty, full-time National Guard duty, or inactive-duty training on or after September 11, 2001, incurred an injury or illness:

1. As described in section 10 U.S.C. 1413a(e)(2);

2. In an operation or area designated as a combat operation or a combat zone, respectively, by the Secretary of Defense in accordance with the regulations prescribed under subparagraph 340204.A; or

3. Under other circumstances determined by the Secretary concerned to warrant treatment analogous to members covered by subparagraph 340204.A.1.

C. Covered Employees. Applies to a civilian employee of the DoD who, while an employee on or after September 11, 2001, incurred an injury or illness under a circumstance described in subparagraph 340204.B.

D. Gifts From Certain Sources Prohibited. Members and employees may not accept a gift from a foreign government or international organization or their agents under this authority.

E. Application of Certain Regulations. These regulations shall apply to the acceptance of gifts received after the date of the enactment of the National Defense Authorization Act for Fiscal Year 2012 for injuries or illnesses incurred on or after September 11, 2001. The military services must apply uniformly to all elements of the DoD and require review and approval by an ethics counselor before acceptance of a gift to ensure that acceptance of the gift complies with the Joint Ethics Regulation.

3403 RESPONSIBILITIES

340301. Under Secretary of Defense for Personnel and Readiness

The Under Secretary of Defense for Personnel and Readiness (USD(P&R)) has the overall oversight responsibility on the implementation of this guidance. USD(P&R) monitors compliance with the provisions of this chapter pursuant to ***DoD Directive 5124.02***.

340302. Secretary Concerned

The Secretary concerned determines whether an event occurring within his or her jurisdiction meets the criterion of "other circumstances" as described in paragraph 340202.

340303. Designated Agency Ethics Official

The relevant designated agency ethics official ensures that an ethics counselor reviews and, when appropriate, approves the acceptance of a gift in accordance with 10 U.S.C. § 2601a (a)(2)(B). That review and approval includes a determination that: (1) the gift is not offered in a manner that specifically discriminates among covered members or employees on the basis of type of official responsibility or favors those of higher rank or pay; (2) the donor does not have interests that may be affected substantially by the performance or nonperformance of the covered member's or employee's official duties; and (3) acceptance would not cause a reasonable person with knowledge of the relevant facts to question the integrity of DoD programs or operations.