VOLUME 3, CHAPTER 15: "RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES—EXECUTION LEVEL"

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
150103.C	Updated reference from United States Standard General Ledger (USSGL) Treasury Financial Manual (TFM) to USSGL Standard Financial Information Structure (SFIS) Transaction Library. Also deleted "except for budgetary entries that apply to accounts 4540 through 4580" because the USSGL SFIS Transaction Library includes accounting entries for these accounts.	Update
150103.C	Updated Volume 1, Chapter 7, Appendix B reference to Volume 1, Chapter 7, Figure 7-3.	Update
150204.A.1	Clarified amounts that exceed the actual refund must be deposited as miscellaneous receipts.	Update
150204.A.2	Section 8067 of the Fiscal Year 2008 Defense Appropriations Act granted permanent authority to credit purchase card and travel refunds to accounts current when refunds are received.	Update

Table of Contents

CHAPTER 15

RECEIPT AND USE OF BUDGETARY RESOURCES EXECUTION LEVEL

1501 GENERAL

150101. Purpose

The purpose of this chapter is to prescribe departmental standards for recording transactions in the execution-level budgetary accounts. Execution-level accounts are not limited for use at an installation and may be used at any, or all, Department of Defense (DoD) organizational levels.

150102. Applicability and Scope

All DoD accounting entities that are involved with budget execution transactions; that is, those transactions outlined in subparagraph 150103.A, must use the execution-level budgetary accounts prescribed in this chapter.

150103. Overview

A. The execution-level budgetary accounts are used to record the majority of day-to-day budget execution transactions. This chapter discusses the accounting standards for receipt of allotments, commitments, obligations, reimbursements, and borrowing authority.

B. The transactions discussed frequently will require a compound entry; that is, entries must be made in both the budgetary and proprietary (asset, liability, and equity) accounts. Other than the transactions that record the receipt of an allotment, the entries in the proprietary accounts will not be covered in this chapter.

* C. The accounts established at the execution-level accounting entities implement the United States Standard General Ledger (USSGL) as prescribed in Volume 1, Chapter 7. Budgetary accounting entries for the USSGL accounts are specified in the ***USSGL Standard Financial Information Structure (SFIS) Transaction Library***. DoD definitions for accounts 4540 through 4580 are in Volume 1, Chapter 7, Figure 7-3 and execution level accounting entries for these accounts are prescribed in this chapter. For Non-DoD reporting, accounts 4540 through 4580 must be reported with account 4510, *Apportionments*.

1502 STANDARDS

150201. Allotments Received

A. Requirements

1. An allotment is a distribution of budget authority to an execution level accounting entity. It authorizes the incurrence of obligations within a specified amount. Suballotments may be used to further subdivide the budget authority. Accounting for a suballotment is the same as accounting for an allotment, only the term allotment will be used in this chapter.

2. Although an allotment document format is not prescribed, it must disclose specific classifications and limitations that must be tracked in the accounting records. For instance, an appropriation committee may state that a specific amount has been added to an appropriation for a certain purpose. To ensure that the congressional intent is accomplished, the accounting entity receiving an allotted share of such budget authority must account for the share amount, and the obligations and expenditures.

B. Accounting Entries

1. Account 4580, *Allotments Received*, is used to record allotments of direct program authority received by an execution-level accounting entity.

2. The accounting entries to record the receipt of allotment of authority are as follows:

Budgetary Entry
DR 4580 Allotments Received
CR 4610 Allotments – Realized Resources

Proprietary Entry
DR 1010 Fund Balance With Treasury
CR 3101 Unexpended Appropriations – Appropriations Received

150202. Commitments

A. A commitment is an administrative reservation of funds based upon firm procurement requests, orders, directives, and equivalent instruments. Since an obligation equal to or less than the commitment may be incurred without further recourse to an authorizing official, commitments are required for some appropriations (see subparagraph 150202.E) and are permissible for others. Commitments, when recorded in the accounting records, reduce the allotment balance. A commitment document must be signed by a person authorized to reserve funds; that is, the official responsible for administrative control of funds for the affected subdivision of the appropriation. This helps ensure that the subsequent entry of an obligation will not exceed available funds.

B. Chapter 8 contains the detailed requirements for estimating and recording the amounts of commitments.

C. A commitment generally is not recordable from an action document approving a procurement program because execution of the program requires specific actions to reserve all or part of the subdivision of funds made available to the program. The program approval may be recorded as an initiation (see subparagraph 150202.D). Also, a commitment usually is not recordable from an order to commence procurement since such orders generally are not firm reservations permitting the recording of an obligation without recourse to the person authorized to reserve funds. These orders may be recorded as initiations.

D. Initiations are entered into memorandum accounts to ensure that precommitment actions, such as approved procurement programs and procurement orders, are maintained within the available subdivision of funds. An initiation results in an administrative reservation of funds based upon procurement orders, requests, or equivalent instruments. It authorizes preliminary negotiation of procurement actions, but requires that the action must be referred to the official responsible for administrative control of funds prior to incurrence of the obligation. Since initiations are not part of the official accounting requirements, allotment issuers or receivers who require initiation accounting must ensure that the procedures and practices are cost effective.

E. Commitment accounting is required by agreement with the Office of Management and Budget (OMB) for the procurement; military construction; and research, development, test and evaluation appropriation accounts. However, commitments need not be recorded for small purchases if, in the aggregate, they are not significant in the management of funds. Commitment accounting is not required for the operation and maintenance appropriation accounts, revolving fund accounts, or military personnel appropriation accounts, but may be used if cost effective.

F. Outstanding commitments must be canceled as of the end of the period that the appropriation is available for obligation. There can be no commitments in expired appropriation accounts.

150203. Obligations

A. Obligations incurred are the amounts of orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same or future period. These amounts include payments for obligations that were not previously recorded, adjustments for differences between obligations previously recorded, and actual payments to liquidate those obligations.

B. The execution-level budgetary account structure requires that the amount of obligations incurred be segregated into undelivered orders unpaid, prepaid or advanced and delivered orders unpaid or paid. Paid delivered orders is the definitive final stage of obligations incurred. It must be recorded regardless of whether the preceding steps of ordering (undelivered order) and delivery (unpaid delivered orders) were recorded.

C. Undelivered orders are contracts or orders issued for goods and services for which the liability has not yet accrued. The orders may be for any goods or services that are required to meet a bona fide need of the issuing entity.

D. Accounts 4901 and 4902, obligations for unpaid and paid delivered orders are used for the credits entered into the budgetary accounts to recognize liabilities incurred and payments made for (a) services performed by employees, contractors, other government accounting entities, vendors, carriers, grantees, lessors, etc.; (b) goods and other tangible property received; and (c) items such as annuities or insurance claims for which no current service is required.

E. Reductions or cancellations of prior year obligations in no-year and unexpired multiple-year accounts must be reported specifically in budget execution reports (see Volume 6A, Chapter 4). Account 4310, *Anticipated Recoveries of Prior Year Obligations*, must not be used without prior approval of the Directorate for Accounting and Finance Policy, Office of the Under Secretary of Defense (Comptroller).

F. Chapter 8 contains the detailed requirements for determining and recording the amounts of obligations.

150204. Reimbursements and Refunds

A. General

* 1. Reimbursements are collections earned for selling goods or services. Reimbursable obligations are obligations financed by offsetting collections credited to an expenditure account in payment for goods and services provided by that account. The collection must be authorized by law to credit the specific appropriation or fund account. Within DoD, the Under Secretary of Defense (Comptroller) must authorize reimbursable authority through budget formulation and statutory authorization of the budget. Except for refunds and reimbursements, collections are deposited in the general fund of the United States Treasury as miscellaneous receipts. Refunds are repayments for excess payments and are to be credited to the appropriation of fund accounts from which the excess payments were made. They must be directly related to previously recorded expenditures and are reductions to those expenditures. Refunds to appropriations represent amounts collected from outside sources for payments made in error, overpayment, or adjustments for previous amounts disbursed. Amounts that exceed the actual refund must be deposited as miscellaneous receipts. See Volumes 11A, 11B, and 15 for further reimbursable operations policy and procedures.

* 2. In general, collections in the absence of an authorized reimbursable program for DoD goods and services do not create budgetary resources. Except for refunds, such collections must be deposited in the general fund of the United States Treasury as miscellaneous receipts unless the deposit to an appropriation or fund is authorized by law. Refunds attributable to the use of the Government purchase and travel cards and Government travel arranged by Government Contracted Travel Management Centers may be credited to operation and maintenance and research, development, test, and evaluation accounts which are

current when the refunds are received. Volumes 11A, Chapter 3 and Volume 11B, Chapter 3 contain the general statement of policy and requirements when work is performed or materiel is provided to private parties.

B. Anticipated Reimbursements

1. Anticipated reimbursements are, in the case of transactions with the public, estimated collections comprising advances expected to be received and reimbursements expected to be earned. In transactions between United States Government accounting entities, anticipated reimbursements consist of orders expected to be received, but for orders that have not been accepted. Anticipated reimbursements may not be used as a source of obligational authority until a customer order is accepted unless such use specifically is authorized in statute. The primary example of the use of anticipated reimbursements to create obligational authority is a revolving fund, in which anticipated reimbursements underlie apportionments of reimbursable authority.

2. An allotted reimbursable program does not constitute authority to incur obligations. Obligations may be incurred only upon acceptance of a customer order. The reimbursable program does not have to be specifically allotted. Apportionment, allocation, and allotment of the reimbursable program may be treated as “automatic” when written OMB approval is obtained by the DoD Component responsible for the appropriation concerned. OMB approval is dependent upon meeting the criteria for automatic apportionment of reimbursements contained in Chapter 2.

3. At the beginning of each fiscal year an entry must be made to record an allotment of anticipated reimbursable program authority. For an automatically apportioned reimbursable program, the predominant type within DoD, an estimate of the expected reimbursable program must be entered. For a specifically apportioned reimbursable program, the exact amount specified in the allotment device must be entered. An estimate of automatically apportioned reimbursable authority may be revised, upward or downward, by the performing activity at any time during a fiscal year to reflect the current estimate. The specifically apportioned reimbursable program authority may not be revised unless a revised allotment device is requested and received. An allotment of anticipated reimbursable program authority does not provide obligation authority. An allotment of anticipated reimbursable program authority provides only authority to accept reimbursable orders. The accepted reimbursable order provides the obligation authority.

4. The accounting entry to record the receipt of reimbursable authority from the department or intermediate levels is as follows:

Budgetary Entry
Dr 4210 Anticipated Reimbursements and Other Income
Cr 4590 Apportionments – Anticipated Resources

Proprietary Entry
None

C. Customer Orders

1. Accepted customer orders establish obligational authority in a performing allotment. Unfilled customer orders are the amounts of orders accepted from other accounting entities within the United States Government for goods and services to be furnished on a reimbursable basis; or, in the case of transactions with the public, are amounts collected in advance for which the accounting entity has not yet performed as requested. On an exception basis, there may be orders from the public received and accepted without payment in advance, but only when specifically permitted by statute. Acceptance of a customer order requires that the performing accounting entity agree in writing to perform the work for the requesting (customer) accounting entity. Volume 11B, Chapter 3 discusses the forms that are used to document these requests and acceptances. Account 4221, *Unfilled Customer Orders Without Advance*, and account 4222, *Unfilled Customer Orders With Advance*, are the execution-level budgetary accounts that are used, as applicable, to record obligational authority for the reimbursable program. Corresponding amounts are recorded in account 4210, *Anticipated Reimbursements and Other Income*. An allotment of reimbursable program authority, whether specific or automatic, authorizes the reimbursable program. It does not establish obligational authority.

2. In the case of multiple-year appropriation accounts whose periods of availability for obligation overlap, reimbursable customer orders and their related transactions must be applied only to the most current account available during the period the orders were received. In other words, new customer orders may not be recorded in a multiple-year appropriation account after its first year of availability.

D. Unearned Revenue. Unearned revenue is the amount recognized as received by a performing organization in the form of advance payments for the future delivery of goods, services, or other assets. Account 4222, *Unfilled Customer Orders With Advance*, is the execution-level budgetary account that is used to record reimbursable orders accepted with advance payment. Compound entries must be made to recognize advance payments in both the budgetary accounts and asset and liability accounts. The proprietary accounting entries are illustrated in Volume 4, Chapter 12 (see account 2310, *Liability for Advances and Prepayments*).

E. Earned Reimbursements

1. An earned reimbursement is the amount recognized when a performing organization renders actual or constructive performance on a reimbursable order. Generally, it is at the point of recognition of a paid or unpaid delivered order that compound entries must be made to record the performance and earnings in both the budgetary accounts and in the proprietary accounts. However, reimbursable orders received and accepted with payment in advance require a compound entry to credit account 2310, *Liability for Advances and Prepayments*, and debit account 1010, *Fund Balance With Treasury* (see subparagraph 150204.D).

2. Generally, reimbursements must recover the cost elements set forth in Volume 11A, Chapter 3 and Volume 11B, Chapter 3. However, other billing prices may be established when specifically authorized by a DoD issuance (e.g., directive or instruction). See Volume 11A, Chapter 3 and Volume 11B, Chapter 3 for additional guidance.

3. Reimbursements must be accounted for separately by the accounting entity having responsibility for collection. Appropriate billing documents indicating the specific property delivered or services rendered, quantities, dollar amounts, and reference to each customer order must be maintained.

4. Earned reimbursements must be recorded and billed promptly in the accounting period earned. However, see the waiver of billing of small amounts in Volume 11A, Chapter 1.

5. Collections from DoD accounting entities generally should be made without the use of checks through processing the billing and collecting entries simultaneously in the disbursing officers' accounts. The requesting accounting entity must record its obligations in accordance with the standards for recognition of obligations in Volume 3, Chapter 8.

F. Sales from Inventory. For Foreign Military Sales (FMS) and non-FMS sales of items from inventory, a determination first must be made whether the item requires replacement, that there is a replacement-in-kind, or that it will not be replaced (free assets). FMS sales of free assets must be deposited in the United States Treasury as miscellaneous receipts or in the Special Defense Acquisition Fund. Earnings from all other sales from inventory (items requiring replacement, replacement-in-kind and non-FMS free assets) are available for obligation up to account expiration. Collections must be made before obligations can be incurred for reprocurement. If the item sold is to be replaced with an identical item (replacement-in-kind), the reimbursement from the sale must be included in reimbursable financing and the buy-back of the item in the reimbursable program. If the replacement will not be identical to the item sold, the reimbursement from the sale will be included under reimbursable financing, but the buy-back of the replacement must be shown under the direct budget program and reprogramming action taken prior to replacement.

150205. Borrowing Authority

A. Borrowing authority is statutory authority to incur obligations and to make payments for specified purposes out of borrowed money. Within the DoD, borrowing authority is used mostly for Foreign Military Direct Loans (see Volume 12, Chapter 1*)*, Military Housing Privatization Program, and Homeowners Assistance Program (see Volume 4, Chapter 11).

B. Homeowners Assistance Program

1. Borrowing authority must be established as needed by the acquisition of property subject to a mortgage, and withdrawn upon payment of the mortgage principal. When the mortgage is assumed by a buyer, the borrowing authority is disestablished.

2. The accrued expenditures for the acquisition of homes subject to mortgages payable that are assumed by the United States Government must include the amount of the mortgage balance payable. The accrued revenues for the sale of homes subject to mortgages payable that are assumed by the buyer must include the amount of the mortgage balance payable. Homes may be sold subject to another loan of all or part of the cash purchase price to the new buyer. In this case, the United States Government has a second mortgage on the home. The revenue for the sale includes this mortgage receivable.

3. The assumption of a mortgage payable by the United States Government is an increase in the borrowing account. The payments on the mortgage principal are decreases in the borrowing account. The assumption of the mortgage balance payable by a buyer is a decrease in the borrowing account. The borrowing account is equal to borrowing authority.

4. The total acquisition cost of the property including the mortgage payable must be in accordance with Volume 6A, Chapter 3, paragraph 030307. The amount of the mortgage assumed is reported as a reimbursement - an increase in the borrowing account.

1503 ACCOUNT ADJUSTMENTS AND ACCOUNT CLOSING PROCEDURES

150301. Adjustments to No-Year, Expiring, and Nonexpiring Multiple-Year Appropriation Accounts

At fiscal year end, installations must ensure that obligational authority and obligations are accurately stated in view of the most current information available. Actions to accomplish these fiscal year end adjustments include the following:

A. Review and validate unfilled orders under the Economy Act and Non-Economy Act (see Volume 11A, Chapters 3 and 18). Cancel those orders funded from expiring accounts or the portion thereof that will not be obligated by fiscal year end. Notify ordering activities of order reductions that affect their obligations and fund availability.

B. Review and validate unfilled project orders funded by expiring accounts. Cancel those orders that will not be started by January 1 of the ensuing fiscal year. Notify ordering activities of order reductions that affect their obligations and fund availability.

C. Review anticipated reimbursements to eliminate anticipated reimbursements for orders not accepted.

D. Review estimated obligations for possible overstatement or understatement.

E. Review obligations for goods and services ordered. Cancel orders or contracts for goods or services that are no longer needed or that are not likely to be delivered, and deobligate the appropriate amounts.

150302. Adjustments to Expiring Accounts Only

A. Cancel outstanding commitments in expiring accounts. Outstanding commitments must be canceled as of the end of the period that an appropriation is available for obligation. There can be no commitments in expired accounts.

B. Review completed customer orders to restore reimbursable program obligational authority made available that was in excess of performance cost. To the extent that restored funds are not returned, unobligated amounts that have been earned, but remain uncollected, must be eliminated from the expiring appropriation account and established against the miscellaneous receipt account to which the collection is to be deposited. The unobligated balance associated with such earnings will thus be eliminated.

C. Reduce the balance in the Unfilled Orders (accounts 4221 and 4222) to the amount of valid remaining uncompleted customer orders only.

D. Eliminate any balance remaining in account 4210, *Anticipated Reimbursements and Other Income*.

150303. Adjustments to Canceled Appropriation Accounts Only

Upon cancellation of an appropriation, and prior to normal closing entries, cancel all obligations (undelivered orders and unpaid obligations) and uncollected reimbursements.

150304. Report Preparation

After completion of the adjustments identified above, budget execution reports must be prepared as specified in Volume 6A, Chapter 4.

150305. Closing Procedures

After preparing the prescribed budget execution reports, close obligational and reimbursable authority.

150306. Expired and Canceled Accounts

A. For 5 years after the time an appropriation expires for incurring new obligations, both the obligated and unobligated balances of that appropriation will be available for recording, adjusting, and liquidating obligations properly chargeable to that account.

B. For appropriations that are available for obligation for a specific period, i.e., annual and multi-year appropriations, on September 30 of the fifth fiscal year after an appropriation's period of availability for incurring new obligations expires, both the obligated and unobligated balances of that appropriation are required to be canceled and will no longer be available for obligation or expenditure for any purpose.

C. Following cancellation of an appropriation, if it becomes necessary to record an obligation or an adjustment to an obligation, which otherwise would have been properly chargeable (both as to purpose and amount) to an appropriation before it was canceled, then the obligation should be charged to an appropriation currently available for the same purpose.

D. When a currently available appropriation is used to pay an obligation, which otherwise would have been properly chargeable (both as to purpose and amount) to a canceled appropriation, the total of all such payments by that current appropriation may not exceed the lesser of:

1. The unexpended balance of the canceled appropriation (the unexpended balance is the sum of the unobligated balance plus the unpaid obligations of an appropriation at the time of cancellation, adjusted for obligations and payments which are incurred or made subsequent to cancellation and which would otherwise have been properly charged to the appropriation except for the cancellation of the appropriation); or

2. The unexpired unobligated balance of the currently available appropriation; or

3. One percent of the total original amount appropriated to the current appropriation being charged.

a. For annual accounts, the 1 percent limitation is of the annual appropriation for the applicable account, not total budgetary resources (e.g., reimbursable program authority).

b. For multi-year accounts, the 1 percent limitation applies to the total (multi-year) amount of the appropriation.

c. For contract changes, charges made to currently available appropriations will have no impact on the 1 percent limitation rule. That is, the 1 percent (of the currently available appropriation) amount will not be decreased by the charges made to current appropriations for contract changes.

150307. Expired Authority.

A. Accounting. Expired authority is composed of (a) unobligated balances and (b) obligated, but unliquidated, balances remaining in appropriations that no longer available for incurring new obligations. The balances no longer are available because the time available for incurring such obligations has expired. Separate accounts for each expired fixed appropriation must be maintained by its fiscal year identity for 5 years following the appropriation's period of availability for obligation.

B. Elimination of Unobligated Balances

1. Direct Program. Unobligated budget authority of an expired appropriation, at the time of its expiration, must be closed to account 4650, *Allotments-Expired Authority*.

2. Reimbursable Program. Closing entries eliminate reimbursable program authority that has been expended. In addition to the elimination of expended reimbursable program authority, a change is necessary to eliminate unobligated reimbursable program authority existing at the time of expiration of the receiving appropriation. Unobligated reimbursable program authority must be returned to the financing appropriation. The obligation authority necessary to finance any subsequent upward obligation adjustments must be requested from that financing appropriation.

C. Adjustments. During the 5 years following the appropriation's period of availability for obligation, obligations may be adjusted upward and downward and disbursements may be made from these expired appropriations. Account 4650, *Allotments-Expired Authority*, is a credit balance account that, prior to appropriation cancellation, is equal to the balance of unobligated expired direct program budget authority. Expired authority, prior to appropriation cancellation, provides the ability to a DoD Component to adjust obligations upward that were previously under recorded or to record obligations that should have been recorded (but were not) against an expired appropriation before its expiration.

150308. Canceled Authority

On September 30th of the fifth fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account must be closed and any remaining balance (whether obligated or unobligated) in the account must be canceled and, thereafter, must not be available for obligation or expenditure for any purpose. The obligational status of a canceled account continuously must be maintained even though no expenditures or collections may be made to that account. In addition, collections authorized, or required to be credited to an appropriation account, but not received before closing of the account, must be deposited in the United States Treasury as miscellaneous receipts.

A. Accounting for Canceled Obligated and Unobligated Balances. Upon cancellation of an appropriation the balance in account 4650, *Allotments-Expired Authority*, must be reclassified as canceled authority and recorded to account 4350, *Canceled Authority*. Expenditures from a current appropriation that are applicable to obligations incurred in a canceled appropriation will reduce the balance in account 4350 as discussed in subparagraph 150308.C.

B. Accounting for Collections Applicable to Closed Accounts. Any collections received after cancellation of an account must be deposited to the miscellaneous receipt account of the United States Treasury.

C. Accounting for Expenditures Applicable To Canceled Appropriations. The status of direct program obligated and unobligated balances and reimbursable program obligated balances, even in an account which has been closed, must be continuously maintained. If payments (cash collections) are not received for obligations incurred in the reimbursable program, those obligations must be covered by direct program unobligated authority existing in the closed account.

1. The presence of a sufficient existing direct program unobligated balance in a closed account is determined by deducting from the unobligated balance at the time of cancellation all amounts charged to current appropriations that otherwise would have been chargeable to the closed account, both as to purpose and in amount, except that the account was canceled.

2. The total of payments from a current appropriation for obligations and payables of a canceled appropriation cannot exceed the lesser of (1) the unexpended balance of the canceled appropriation, (2) the unexpired unobligated balance of the currently available appropriation, or (3) 1 percent of the current appropriation being charged. Payables applicable to canceled appropriations must be paid from funds of subsequent appropriations that are available for the same general purpose as the one from which the payables were canceled. Liabilities may not be recorded on the books of a subsequent appropriation until (1) valid bills are received for payment and (2) it is certain the payment will be made from that subsequent appropriation. If such payments to be made exceed the 1 percent limitation, additional authority must be sought from the Congress. It is important to note that the liability of a current account to pay an obligation of a canceled account is recorded only in the proprietary accounts of the current account pursuant to the above criteria. The obligation of a current account to pay, however, including upward obligation adjustments, must be recorded in the budgetary accounts at the time it is first known against the obligational authority of the canceled account that would have been available except for its cancellation.