

**VOLUME 5, CHAPTER 1: “PURPOSE, ORGANIZATION, AND DUTIES”**

**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 2005 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
010101	Incorporates guidance on applicability of OUSD(C) memos of December 16, 1993 and repeated in OUSD(C) memo of August 6, 1999.	Add
010103C	Adds a link to the volume’s Glossary.	Add
010202A, B, & C	Adds debt management as an area of responsibility addressed by this volume.	Add
Formerly 010301.A-C	Moves guidance on random review of disbursement vouchers to <i>Chapter 33</i> , section 3308.	Delete
Formerly 010301.D	Moves guidance on reliance on approval of statistical sampling plans to Chapter 33, paragraph 330905.	Delete
Formerly 010302	Moves guidance on pre-payment examination requirements to Chapter 33, paragraph 330804.	Delete
Formerly 010303	Deletes guidance on post-payment examination requirements, as it is now published in DoD FMR, Volume 4.	Delete
010303.D	Moves from Chapter 33 general guidance on electronic signatures.	Add
010304	Adds guidance on inherently governmental functions.	Add
Formerly 010304	Deletes guidance on document retention for examination purposes, as it is in <i>Chapter 21</i> , paragraph 210101.	Delete
Formerly 010401.A	Moves guidance on keeping and safeguarding public funds to <i>Chapter 3</i> .	Delete
Formerly 010401.B	Deletes guidance on deposit of public funds, as it is in <i>Chapter 5</i> .	Delete
Formerly 010402	Deletes guidance on assembly and transmittal of financial reports, as it is in Chapter 20; and on disbursing office records, as it is in Chapter 21.	Delete
Formerly 010403	Moves guidance on specific authority for disbursements to <i>Chapter 11</i> .	Delete

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Formerly 110404	Moves guidance on alternatives available in connection with questionable payments to <i>Chapter 25</i> .	Delete
Formerly 010503.A	Moves guidance on disbursing officers accountability to <i>Chapter 2</i> .	Delete
Formerly 010503.B & C	Moves guidance on pecuniary liability of certifying officers and departmental accountable officials to Chapter 33.	Delete
Formerly 010504	Moves guidance on payment on forged or fraudulent vouchers or pay receipts to Chapter 11.	Delete
Formerly 010505	Deletes guidance on relief of liability, as it is in <i>Chapter 6</i> .	Delete
Formerly 010506	Moves guidance on turnover of funds upon relief to Chapter 2.	Delete
Formerly 010508	Moves guidance on receipts for payments to Chapter 11.	Delete
Formerly 010509	Moves guidance on receipts for collections to <i>Chapter 10</i> .	Delete
Formerly 010601, 010603 – 010607	Moves guidance on payment of compensation; advances, prepayments, and/or overpayments; payments to third parties; insurance fees; and municipal services to Chapter 11.	Delete
Formerly 010602	Moves guidance on accounting for premiums on sale of public moneys or securities to Chapter 3.	Delete
Formerly 010702	Moves guidance on withholding of pay of persons in arrears to the U.S. to <i>Chapter 28</i> , as it applies only to persons entrusted with public funds who have failed to account for them.	Delete
Formerly 0108	Moves guidance on advance decisions to Chapter 25.	Delete

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## CHAPTER 1

**PURPOSE, ORGANIZATION, AND DUTIES**

## 0101 PURPOSE

## \*010101. Authority

This volume of Department of Defense (DoD) Financial Management Regulation (DoDFMR) is issued by authority of DoD Instruction 7000.14, (DoD Financial Management Policy and Procedures), implements and complies with the Treasury Financial Manual – Volume I, and applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Inspector General of the Department of Defense, the Defense Agencies, and the DoD Field Activities (hereafter referred to as “DoD Components”). It establishes disbursing requirements; principles; standards; responsibilities; procedures; practices; and pecuniary liability standards for certifying officers, disbursing officers (DOs), and other accountable officials throughout DoD. If conflicts exist between this volume and other policy or regulatory guidance, the highest level regulation governs.

## 010102. Recommended Changes and Requests for Deviation or Exception

Send these through command channels to the Under Secretary of Defense (Comptroller) (USD(C)), Room 3E822, The Pentagon, Washington, DC 20301-1100.

## 010103. Use of This Volume

A. This volume cites specific Department of the Treasury symbols (e.g., \*\*F3880). Replace the \*\* with the appropriate DoD Component designator, i.e., 17 for Navy and Marine Corps, 21 for Army, 57 for Air Force, or 97 for Defense, as appropriate.

B. This volume prescribes the use of specific forms; see the DoD Forms Program website at <http://www.dtic.mil/whs/directives/infomgt/forms/formsprogram.htm>. Some DoD Components use their own specific forms in lieu of those prescribed. In many instances, currently-operating disbursing systems generate these forms. These systems need not be modified to incorporate the forms prescribed by this volume. Affected Components may continue to use existing systems and the forms they generate until they all are replaced by a standard DoD disbursing system. Any Component that elects to use a computer-generated version of a prescribed DD Form must either use an exact replica of that form or send a request for exception in accordance with DoD 7750.07 to the Director, DFAS, ATTN: DFAS-NPD/IN, 8899 East 56th Street, Indianapolis, IN 46249-0500. Examples of forms used in this volume are for illustrative purposes only; do not reproduce them for use.

C. Refer to the Glossary for definitions of terms used in this volume.

## 0102 ORGANIZATION

## 010201. Defense Finance and Accounting Service (DFAS)

[DoD Directive 5118.5](#) established DFAS under the authority vested in the Secretary of Defense by [Title 10, United States Code \(U.S.C.\), section 113](#). DFAS is under the direction, authority, and control of the USD(C). The Director, DFAS is the principal DoD executive for finance and accounting requirements, systems, and functions identified in [DoD Directive 5118.03](#). The Director:

A. Directs finance and accounting requirements, systems, and functions for all appropriated, non-appropriated, working capital, revolving, and trust fund activities, including security assistance.

B. Establishes and enforces requirements, principles, standards, systems, procedures, and practices necessary to comply with finance and accounting statutory and regulatory requirements.

C. Provides finance and accounting services for DoD Components and other Federal agencies.

D. Directs the consolidation, standardization, and integration of finance and accounting requirements, functions, procedures, operations, and systems and ensure their proper relationship with other DoD functional areas.

E. Executes statutory and regulatory financial reporting requirements and render financial statements.

F. Approves the establishment or maintenance of all finance and accounting activities independent of DFAS.

## \*010202. DFAS Disbursing and Debt Management Policy Division

DFAS-NPD/IN is under the direction, authority and control of the Director, Policy and Performance Management, and is responsible to:

A. Develop and promulgate standard DoD disbursing, cash management, and debt management guidance and procedures.

B. Respond to all procedural inquiries pertaining to disbursing, cash management, and debt management within DoD.

C. Initiate, change, and implement DoD disbursing, cash management, and debt management procedures and guidance according to Department of the Treasury regulations.

D. Act as the point of contact for all non-criminal investigating officers in relation to loss of funds investigations.

E. Perform technical reviews of relief-of-liability cases for all DoD Components and activities, including the quarterly minor loss reports.

F. Manage disbursing station symbol numbers (DSSN) within DoD, to include their establishment and deactivation, ordering U. S. Treasury checks, maintaining DO and deputy DO (DDO) appointment letters and signature specimens, and ordering and storing signature plates.

G. The address is Director, DFAS, ATTN: DFAS-NPD/IN, 8899 East 56th Street, Indianapolis, IN 46249-0500 or [disbursing-debtmanagementpolicy@dfas.mil](mailto:disbursing-debtmanagementpolicy@dfas.mil).

010203. DoD Disbursing Offices

DoD Component Heads ensure that DOs in their commands follow the requirements of this volume.

010204. Disbursing Officers

DOs ensure that disbursing operations follow Chapter 2.

010205. Certifying Officers and Departmental Accountable and Review Officials.

Commanders ensure that certifying officers and departmental accountable and review officials in their commands follow Chapter 33.

## 0103 ACCOUNTABILITY AND RESPONSIBILITY

010301. General

Accountable individuals are personally and pecuniarily liable for their acts involving the expenditure and receipt of public funds. See Chapter 6.

010302. Knowledge of Laws Governing Disbursement

Accountable individuals whose duties pertain to the disbursement of public funds must become knowledgeable of and strictly observe applicable laws.

010303. Internal Management Controls

DFAS DOs must implement the DFAS Internal Management Control Program in [DFAS 5010.38-R](#), Managers' Internal Control Program, Federal Managers' Financial Integrity Act of 1982. Other DoD Component DOs and their activities must implement internal controls consistent with the guidelines in this paragraph.

A. Effective internal control procedures depend largely on eliminating opportunities to conceal errors or irregularities. This, in turn, depends on assigning work so that no one individual controls multiple phases of a transaction.

B. Separation of duties precludes errors or attempts at fraud or embezzlement from going undetected. Assign key duties such as authorizing, approving, and recording transactions; issuing or receiving assets; making payments; preparing checks and check signing; certification of funding; and reviewing or auditing to separate individuals to minimize the risk of loss to the government to the greatest extent possible.

1. Do not assign DOs duties that create potential conflicts of interest.

See Chapter 2.

2. Appropriate separation of duties is not always practical or possible due to time constraints, manpower shortages, or the use of mechanized systems. For example, payments and collections through the Intra-governmental Payment and Collection (IPAC) system can occur outside the disbursing work center without weakening internal controls because the payee is always another Federal agency and recovery of an improper payment is assured. Other situations may require closer scrutiny. Commanders and DOs must be aware of situations where valid, long-standing separation of duties cannot be achieved, recognize that internal controls have been weakened as a result, and make every effort to compensate for loss of those controls. Report situations of inability to separate appropriate responsibilities to the appropriate DFAS or Service commander, with a request for a waiver and recommendations to compensate for the loss of the controls.

C. Inspections and audits of disbursing offices must include a review of internal management controls to determine their adequacy, compliance, and effectiveness.

\* D. **Electronic and Digital Signatures.** Electronic and digital signatures adopted by anyone electronically signing or certifying any type of financial document must be:

1. Unique to that person;
2. Under that person's sole control or custody;
3. Linked to the document certified so that if anything on the document is changed, the electronic or digital signature is invalidated; and
4. Capable of being verified by a DO.

\*010304. Inherently Governmental Functions

Many different personnel, e.g., DOs and their deputies, cashiers, certifying officers, and DAOs perform "inherently governmental functions," i.e., those that are so intimately related to the exercise of the public interest as to mandate performance by Federal employees. For more information, see [Office of Management and Budget \(OMB\) Circular A-76](#). These functions

include activities that require making value judgments regarding monetary transactions and entitlement involving the collection, control, or disbursement of appropriated and other Federal funds. For more information, see the Code of Federal Regulations, Title 48, Part 7, subpart 7.5, entitled “Inherently Governmental Functions,” published in the [Federal Acquisition Regulation \(FAR\), Part 7.5](#). These functions may not be performed by other than U.S. Federal government employees (i.e., contractors). Also, while there is no legal requirement that employees performing these functions be United States citizens while employed in overseas foreign countries, appointing authorities must be aware that foreign local nationals may not be subject to being held pecuniarily liable to the United States based on a status of forces agreement (SOFA) or local law. See [DoDI 1400.25, Volume 1231](#) (Employment of Foreign Nationals). Also, host nation governments are the legal employers of “indirect hire” employees overseas over whom the United States exercises day-to-day operational control ([DoDI 1400.25, Volume 1231, Section 2.b](#)); this lack of statutory employment status effectively precludes any ability to unilaterally enforce pecuniary liability against indirect hire employees.

#### 0104 PUNITIVE PROVISIONS

##### 010401. Misuse of Public Funds

[18 U.S.C. 641](#) governs crimes involving embezzlement and theft. Individuals charged with safekeeping of public funds must handle those funds with utmost care. The loan, exchange for other funds, conversion of funds for one’s own use or that of another, or deposit of public funds except as authorized by law, may subject the individual entrusted with the funds to criminal sanctions.

##### 010402. Conspiracy to Defraud the Government

Any person who enters into an agreement or conspiracy to defraud the United States by obtaining or aiding in obtaining the payment or allowance of any false, fictitious, or fraudulent claim is subject to fine, imprisonment, or both as prescribed by [18 U.S.C. 286](#).