

## VOLUME 12, CHAPTER 8: “FOREIGN NATIONAL EMPLOYEES SEPARATION PAY ACCOUNT, DEFENSE”

### SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also 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 [December 2012](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks, mailbox addresses, and format to comply with current guidance.	Revision
1.0 (0801)	Renamed the first section to “General,” added an “Authoritative Guidance” paragraph, and incorporated guidance from Title 10, United States Code, section 1592.	Revision
2.1, 2.6.2., 3.1, 3.2 (080201, 080206.B, 080301, 080302)	Added Department of Defense Financial Management Regulation references.	Addition

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## CHAPTER 8

**FOREIGN NATIONAL EMPLOYEES SEPARATION PAY ACCOUNT, DEFENSE****\*1.0 GENERAL (0801)****1.1 Purpose (080101)**

This chapter specifies policy applicable to the [United States Department of the Treasury \(Treasury\)](#) “Foreign National Employees Separation Pay Account, Defense” [account](#). Except as provided herein, all separation payments for [Department of Defense \(DoD\)](#) foreign national employees must be made from this account. All amounts that were obligated for such separation payments, but not expended before enactment, must be transferred to this account. Similar amounts obligated after enactment must also be transferred into this account on a quarterly basis. Amounts in the account remain available until expended.

**1.2 Authoritative Guidance (080102)**

1.2.1. The National Defense Authorization Act ([NDAA 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 DoD. The [NDAA for Fiscal Year 1995](#) extended this authorization to include foreign nationals employed by a foreign government, for the benefit of [DoD](#), 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, section 1581 ([10 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. [10 U.S.C. § 1592](#) establishes that funds in the “Foreign National Employees Separation Pay Account, Defense” [account](#) may not be used to pay severance pay to a foreign national employed by [DoD](#) that provides for payment of separation pay if the separation of the employment of the foreign national is the result of the closing of, or the curtailment of activities at, a United States military facility in that country at the request of the government of that country.

1.2.2. This guidance applies to all DoD appropriations. This guidance does not apply to activities under the Defense Working Capital Fund ([DWCF](#)). [DWCF](#) activities must continue to make necessary foreign national employee severance payments under established [DWCF](#) procedures. This guidance also does not apply to the Foreign Military Sales (FMS) Trust Fund. The FMS Trust Fund activities must continue to accrue and disburse separation pay to their foreign national employees from the FMS Trust Fund. [Use of non-appropriated funds \(NAF\) to pay for severance or separation entitlements, accrued during periods of employment with appropriated funded \(APF\) entities is prohibited.](#)

## 2.0 POLICY (0802)

### \*2.1 Calculations (080201)

Amounts to be obligated for foreign national employees separation pay must be determined and calculated at the installation level in accordance with applicable host country agreements. These amounts must 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 must be made from the [Treasury](#) “Foreign National Employees Separation Pay Account, Defense,” [097X8165](#). The applicable Treasury receipt account is [097X8165.001](#), “[Employing Agency Contributions, Defense](#).” [Additional guidance on obligations for separation allowances for foreign national employees can be found in Volume 3, Chapter 8.](#)

### 2.2 Pay Accruals (080202)

Foreign national employee separation pay accruals (obligations) must 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.”

### 2.3 Director, Defense Finance and Accounting Service (080203)

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

### 2.4 Administrative Subdivisions (080204)

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

### 2.5 Disbursements (080205)

Except for those organizations operating within the [DWCF](#) and the FMS Trust Fund, all separation payments for foreign national employees paid from DoD appropriations must be disbursed from the “Foreign National Employees Separation Pay Account.” Requests for authorization to disburse from this account must be forwarded to the appropriate servicing DFAS site. Forward a copy of the backup documents to [the DFAS Indianapolis, Accounting Operations mailbox at: \[dfas.indianapolis-in.jja.mbx.cin-jjra@mail.mil\]\(mailto:dfas.indianapolis-in.jja.mbx.cin-jjra@mail.mil\)](#).

### 2.6 Transfers (080206)

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

2.6.1. 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 mailbox at: [dfas.indianapolis-in.jja.mbx.cin-jjra@mail.mil](mailto:dfas.indianapolis-in.jja.mbx.cin-jjra@mail.mil).

\* 2.6.2. When payments from a DoD Component's subdivision of the account exceed the balance in that Component's subdivision, additional amounts must 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 must 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. [Additional guidance on the transfer of a foreign national employee from one DoD Component to another can be found in Volume 3, Chapter 8.](#)

2.6.3. 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 must 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.

## 2.7 Deobligations (080207)

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.

## 2.8 Availability of Deobligated Amounts (080208)

Amounts deobligated by DoD Components must 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 must be cancelled.

## 3.0 SUBSEQUENT DISBURSEMENTS (0803)

### \*3.1 Validation of Funds Availability (080301)

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. [Guidance on cross-disbursements involving foreign currency payments can be found in Volume 6A, Chapter 7, Appendix C.](#)

### \*3.2 Cross-Disbursements (080302)

When cross-disbursements procedures are used, the appropriate DFAS site must be advised prior to each actual disbursement. [Additional guidance on cross-disbursement transactions can be found in Volume 3, Chapter 11.](#)

## 4.0 RESPONSIBILITIES (0804)

### 4.1 DFAS Indianapolis – Accounting Operations (080401)

The DFAS Indianapolis, Accounting Operations must:

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

4.1.2. 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.

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

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

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

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

### 4.2 [DoD](#) Components (080402)

The DoD Components must:

4.2.1. 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.

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

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

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

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