

**VOLUME 6A, CHAPTER 7: “FOREIGN CURRENCY REPORTS”**

**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 Feb 2009 is archived.

<b>PARA</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
<a href="#">070103C</a>	<a href="#">Clarified the term “Budget Rate.”</a>	<a href="#">Update</a>
<a href="#">070104</a>	<a href="#">Updated references, added hyperlink.</a>	<a href="#">Update</a>
<a href="#">070105</a>	<a href="#">Updated references.</a>	<a href="#">Update</a>
<a href="#">070202</a>	<a href="#">Clarified applicability of Foreign Currency Fluctuation (FCF) guidance. Added hyperlinks.</a>	<a href="#">Update</a>
<a href="#">Various</a>	<a href="#">Updated wording for clarity.</a>	<a href="#">Update</a>

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## CHAPTER 7

FOREIGN CURRENCY REPORTS

## \*0701 OVERVIEW

## 070101. Purpose

This chapter establishes reporting requirements for tracking all transactions that increase or decrease the foreign currency fluctuations accounts. Foreign Currency Fluctuations, Defense (FCF, D) and Foreign Currency Fluctuations, Construction, Defense (FCF, C, D) appropriations were established by Congress to reduce the adverse impact of foreign currency fluctuation losses on the Department of Defense's operating budget.

## 070102. Scope

The provisions of this chapter apply to all Department of Defense (DoD) Components unless a specific [written](#) exception has been granted by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)).

## 070103. Definitions

A. Foreign Currency Unliquidated Obligations. Unpaid obligations that are recorded in the accounting records at the budget rate of the foreign currency cited within the obligating document. These "unpaid" obligations represent a key component of the monthly reporting process and are required to compute the "accrued variance."

B. Foreign Currency Liquidated Obligations. Paid obligations that are "liquidated" in the accounting records at the budget rate of the foreign currency cited within the obligating document. These liquidated obligations represent a key component of the monthly reporting process and are required to compute the "realized variance."

C. Budget Rate. [OUSD\(C\)](#) published foreign currency exchange rates that must be used during formulation, preparation, and submission of DoD's operating budgets. These published "budget" rates shall also be used as the basis for recording budgetary obligations that are associated with approved overseas programs into the accounting records of DoD. ["Internal" or unapproved exchange rates may not be used on official accounting or disbursing records.](#)

D. Accrued Variance. Difference between the value of unliquidated obligations recorded at the budget rate and the value of those same unliquidated obligations calculated at the current foreign currency exchange rate. The computed [accrued](#) variance provides DoD decision makers a monthly estimate of the funding that would be necessary to absorb the "net losses" that would be "realized" if payment had to be made as of the report date.

E. Realized Variance. Calculated difference between obligations recorded at the budget rate and liquidated at the foreign currency exchange rate in effect at the time of

payment. When the budget rate used in recording the original obligation is less than the current exchange rate, the realized variance (loss) must be disbursed from the applicable Centrally Managed Allotment (CMA). When the budget rate used in recording the original obligation is more than the current foreign currency exchange rate, the realized variance (gain) is collected into the applicable CMA.

F. Centrally Managed Allotment (CMA). Used by DoD to manage budgetary authority provided by the Foreign Currency Fluctuation appropriations. CMAs provide DoD Components the internal control structure required to account for all transfers, expenditures, and collections resulting from the effects of foreign currency fluctuations.

070104 Foreign Currency Fluctuations, Defense (FCF, D)

In fiscal year (FY) 1979, Congress authorized an appropriation to facilitate the transfer of funds to (and from) DoD operating appropriations to cover significant losses from foreign exchange rate fluctuations. Significant net gains from foreign currency exchange rate fluctuations also shall be transferred to this account, entitled “Foreign Currency Fluctuations, Defense (FCF, D),” Department of the Treasury Account Symbol (TAS) 97X0801. The purpose of the appropriation is to alleviate the adverse effect of significant fluctuations in the specified currency exchange rates on authorized DoD programs funded by Operation & Maintenance (O&M) and Military Personnel (MilPers) appropriations. The following statutes provide authority for the FCF, D appropriation:

A. The “DoD Appropriation Act, 1979” established the FCF, D appropriation.

B. Title 10, United States Code (U.S.C.), section 2779(a) allows previously transferred FCF, D funds to be transferred back to the FCF, D appropriation so long as the transfer is made not later than the end of the second fiscal year after the fiscal year that the appropriation to which the funds were originally transferred is available for obligation. This is allowed only if the funds are not needed to finance increased obligations due to fluctuations in currency exchange rates because of subsequent favorable fluctuations in currency exchange rates or because other funds are, or become, available to finance these cost increases.

C. Title 10, U.S.C., section 2779(d) permits O&M and MilPers unobligated balances to be transferred to the FCF, D appropriation, so long as the transfers are made not later than the end of the second fiscal year following the fiscal year for which the appropriation is provided. This provision limits the use of this authority so that the amount in the FCF, D appropriation does not exceed \$970.0 million at the time the unobligated balance transfer is made.

070105. Foreign Currency Fluctuations, Construction, Defense (FCF, C, D)

In FY 1987, Congress enacted the current authority for a foreign currency fluctuations account to protect DoD Military Construction, Family Housing, and NATO infrastructure programs from substantial gains or losses resulting from foreign currency fluctuations. The title of this appropriation is the “Foreign Currency Fluctuations, Construction, Defense (FCF, C, D),” Department of the Treasury Account Symbol 97X0803.

A. The FCF, C, D account was **initially capitalized** by transferring unobligated balances from the family housing and military construction appropriations. Pursuant to authority conferred by recurring annual Military Construction Appropriations Act general provisions, unobligated balances from family housing and military construction appropriation accounts may be transferred into the FCF, C, D account during the 5-year period after the appropriations expire for original obligation purposes.

B. All amounts transferred from this appropriation to other appropriations available for construction shall be approved specifically by OUSD(C).

070106. Standards

A. The foreign currency appropriations (FCF, D and FCF, C, D) are used solely to offset losses sustained because of unfavorable foreign currency fluctuations **realized upon payment for goods and services in local currency**. The appropriations are not available to finance cost increases resulting from changes in the scope of programs, inflation increases, or other such changes, nor shall they be used to finance Prompt Payment Act interest payments. Other important provisions of the foreign currency fluctuations appropriations relate to obligation/expenditure limitations and financial accounting procedures relative to foreign currency exchange fluctuations.

1. Authorizations or limitations now or hereafter contained within appropriations or other provisions of law limiting the amounts that may be obligated or expended shall be increased to the extent necessary to reflect fluctuations in foreign currency exchange rates from those used in preparing the applicable budget submission.

2. Contracts or other obligations entered into that are payable in foreign currencies may be recorded as obligations based on currency exchange rates used in preparing budget submissions, as amended by Congress, and adjustments to reflect fluctuations in such rates shall be recorded as disbursements are made.

B. Funds transferred from the foreign currency fluctuations appropriations shall be available only for funding CMAs that are to be established in the applicable operations and maintenance, construction, family housing, or NATO infrastructure appropriations to cover losses (or gains) in direct programs due to fluctuations in foreign exchange rates. These transfers shall be based on need, funds available to cover such losses DoD-wide, and other budgetary considerations. Consequently, such losses may not be fully funded.

C. The DoD components shall record foreign currency obligations at the installation level in dollars, at the budgeted rate or at the congressionally established budget exchange rate for direct program of affected appropriations as reflected in applicable committee reports or the appropriate appropriation acts.

1. OUSD(C) shall provide these rates to the DoD Components.

2. Foreign currency obligations are those obligations that either are payable in specified foreign currency or payable in dollars, the amount of which is determined by the rate of exchange.

3. When payment is made, the disbursing officer shall either charge or credit the variance between the budget rate and the current rate directly to the applicable CMA. For example, a military construction project was included in the FY 2007 President's Budget. Funds for the project were obligated in FY 2008 using FY 2007 funds, and all of the project expenditures were disbursed in FY 2009. In this example, the obligations shall be recorded in the accounting records using the FY 2007 budgeted rates. There would be no effect on the military construction foreign currency CMA prior to FY 2009 since no disbursements were made until FY 2009. The foreign currency reports in each of those years, however, would identify accrued variances, i.e., the differences between the project obligations carried at the FY 2007 budgeted rate and the project obligations valued at the current exchange rate. This accrued variance is used to identify the projected disbursement requirements of the component CMA. The realized foreign currency variance would be recorded against the military construction foreign currency CMA for FY 2009 at the time of the actual disbursements.

D. The central accounting activity supporting each affected component shall determine the total foreign currency unliquidated obligations at the budget exchange rate **provided by OUSD(C)** for each appropriation. **Identify** and accumulate **both favorable and unfavorable variances**. Determine **the "accrued variance"** at the end of each month based on the difference between unliquidated obligations at the budget rate and unliquidated obligations at the current rate, using the exchange rate on the last day of the month. The accrued variance shall never be obligated in the official accounting documents.

E. **Each** DoD Component holding a CMA is responsible **to** establish internal controls and **to** carefully monitor funds availability at all times, **as** Antideficiency Act provisions apply to each CMA. **Establish controls to** ensure that sufficient funds within the appropriation's availability are reserved to finance projected disbursement requirements **for the CMA**. For family housing and construction, a 6-month requirement is recommended. Should CMA funding availability drop below that level, **take** immediate action to avoid overobligation. Such action shall include providing additional funds from current accounts and, if necessary, advising all disbursing officers to cease payments from the CMA without prior certification until funding is obtained. In no case shall any action be taken that presumes relief through a transfer of funds from the foreign currency fluctuations appropriations, owing to the limited capital available in these accounts.

F. OUSD(C) publishes lists of specific currencies in the foreign currency fluctuations program and associated exchange rates. Currencies may be added and deleted by OUSD(C) as conditions warrant. A report containing the list of currencies, the applicable budget rate, and the current period adjusting rate can be found by visiting the **[OUSD\(C\) FCF site](#)**.

## 0702 REPORTING PROCEDURES

## 070201. Appropriation Transfers

OUSDC(C) manages the FCF, D and FCF, C, D appropriations and instructs the Defense Finance and Accounting Service (DFAS) Departmental Reporting Directorate-Indianapolis on the amount of the funds to be transferred to and from the applicable appropriations. DFAS-Indianapolis transfers the designated amounts by means of a Nonexpenditure Transfer Authorization (SF 1151).

## \*070202. General Reporting Guidance

A. Other than calculating the monthly accrued variance described in paragraph 070106.D of this chapter, no further adjustment to the original obligation is necessary until disbursement is made or until the appropriation is closed.

B. Foreign currency fluctuation procedures described in this chapter do not apply to reimbursable programs. The performing activity shall continue to accept reimbursable orders, incur obligations, and bill for reimbursement at the current foreign currency exchange rate using the procedures found in Volume 3, Chapter 9 and Volume 11A, Chapter 1. However, when the performing activity and the benefiting activity are DoD organizations, the performing activity shall notify the benefiting activity of the amounts obligated that are to be paid in foreign currency. The benefiting activity shall record that portion of its obligation for direct programs at the budget rate in the manner prescribed in subparagraph 070106.C of this chapter. The realized variance determined at the time of the disbursement shall be recorded in the respective CMA of the benefiting activity.

C. Normal operating budgets or other funding documents issued for the affected appropriations by DoD Components shall not be adjusted for foreign currency exchange rate fluctuations.

D. Prior to closing the [financial records](#) at year-end, each component holding a CMA shall review the status of that account. Net gains in a CMA shall be promptly transferred to the applicable foreign currency fluctuations appropriation. Components shall also determine the portion of the losses that can be absorbed by the CMA and transfer to the foreign currency fluctuations appropriation account any balances that are not required.

E. [Foreign currency fluctuation procedures described in this chapter do not apply to Gains and Deficiencies on Exchange Transactions \(TAS 6763\)](#). Volume 5, Chapter 4 provides guidance regarding deficiencies. See Volume 5, Chapter 13 for guidance regarding gains and losses by revaluation.

F. [Foreign currency fluctuation procedures described in this chapter do not apply to Burdensharing funds received from other countries](#). See Volume 12, Chapter 24 for guidance regarding Burdensharing funds.

## 0703 REPORTING FORMATS

070301. DD-COMP (M) 1506 – Foreign Currency Fluctuations, Defense Report (O&M)

A. DFAS-Indianapolis is responsible for submitting the consolidated monthly report to the Office of the Deputy Comptroller (Program/Budget) (ODC (P/B)), OUSD(C).

B. The central accounting activities, National Security Agency (NSA), DoD Dependent Schools (DoDDS), and Defense Security Cooperation Agency (DSCA) shall provide a monthly report to the DFAS Departmental Reporting Directorate-Indianapolis using the format in Figure 7-1.

1. Submit the report in accordance with due dates established by DFAS-Indianapolis and consistent with the requirements of OUSD(C).

2. The report shall include the following:

a. Column 1 – Country. Alphabetically list the specified country.

b. Column 2 – Monetary Unit. Enter the monetary unit of the country.

c. Column 3 – Foreign Currency Unliquidated Obligations. Enter the dollar amount of unliquidated obligations at the budget rate. **Derive this amount** by taking the obligations incurred at the budget rate less the disbursements at the budget rate.

d. Column 4 – Accrued Variance. Enter the accrued variance for the unliquidated obligations **shown** in column 3. This amount may change from month to month as the current foreign currency exchange rate changes and/or as the amount of unliquidated obligations changes.

e. Column 5 – Realized Variance. Enter the actual dollar amount of the variance resulting from liquidated obligations to date. This amount represents the variance (difference) between obligations at the budget rate and the amount actually disbursed.

f. Column 6 – Foreign Currency Obligations Incurred. Enter the dollar amount of total obligations incurred to date at the budget rate. **Compute this amount** from actual accounting data of obligations incurred at the budget rate. It will not be a derived number.

g. Column 7 – Planned Overseas Program. The planned overseas program for execution at the budget rate should agree with the current year (CY) column of the PB-18 exhibit. That exhibit is required by Volume 2B, Chapter 19 to support the President's budget request for the budget year. Any increases or decreases to the planned

overseas program during the execution of the CY shall be explained by country in the monthly report.

3. The report shall also include footnotes showing:

a. The total funding provided to the CMA by source.

(1) Transfers from the FCF, D appropriation

(2) Transfers from the component's O&M availability

(3) Total CMA funding.

b. The anticipated gains or losses for the remainder of the fiscal year. **Estimate** the anticipated gains or losses on projected disbursements to the end of the year by computing the variance that would occur if the current foreign currency exchange rates were to remain in effect during the remainder of the year.

c. Transfers to FCF, D due to favorable realized variances.

d. Projected liquidations (budget rate) for the fiscal year. Estimate the obligations (budget rate) that will be disbursed during the fiscal year.

e. **An** explanation of deviations from planned overseas program by country. **This** is required when significant variances from the "obligations incurred" column exist. This explanation can occur any time prior to the canceling of funds.

070302. Foreign Currency Fluctuations, Defense Report (MilPers)

A. Foreign currency rate variances increase or decrease the value of allowances paid to service members. To maintain the value of that portion of allowances members receive to purchase foreign currency, allowances are adjusted to offset increases or decreases in foreign currency rates. For purposes of FCF, D transfers, the calculated effect on military personnel disbursements that result from changes in foreign currency rates (foreign currency variance) is the difference in dollars required for the allowance at budget exchange rates and the current allowance rates. However, FCF, D transfers are approved only for Cost of Living Allowances (COLA) and Overseas Housing Allowances (OHA).

B. DFAS Departmental Reporting Directorate-Indianapolis is responsible for submitting this consolidated monthly report to the ODC (P/B), OUSD(C).

C. The process for identifying the foreign currency impact on COLA and OHA is as follows:

1. Total expenditures shall be identified by the Military Departments for COLA and OHA by officer and enlisted for the country currencies included in the FCF, D account.

2. The Per Diem, Travel, and Transportation Allowance Committee (PDTATAC) shall report, to the DFAS central accounting activities, the appropriate COLA and OHA index based on current exchange rates. For FCF, D, the PDTATAC shall also report COLA and OHA indices based on the budget exchange rates.

3. The DFAS central accounting activities shall access affected personnel pay accounts and identify the COLA and OHA disbursements, by officer and enlisted, according to designated location codes.

4. The DFAS central accounting activities shall calculate the foreign currency impact by estimating the differences between budget exchange rates and current exchange rates applied to the total expenditures for COLA and OHA.

5. Foreign currency amounts shall be consolidated and the remaining expenditures identified for the end-of-month recorded disbursements.

D. COLA foreign currency report format structure:

1. Service
2. Country (FCF, D country)
3. Budget Rate
4. COLA Rate
5. COLA Code
6. COLA Code Change Indicator
7. Budget Index
8. Allowance Index
9. COLA Factor
10. Actual COLA Enlisted Disbursement
11. Budgeted COLA Enlisted Amount Military Personnel appropriation
12. COLA Realized Variance Enlisted

13. Actual COLA Officer Disbursement
  14. Budgeted COLA Officer Amount Military Personnel appropriation
  15. COLA Realized Variance Officer
  16. Actual COLA Officer/Enlisted Disbursement Total
  17. Budgeted COLA Officer/Enlisted Amount Military Personnel appropriation Total
  18. COLA Realized Variance Officer/Enlisted Total.
- E. OHA foreign currency report format structure:
1. Service
  2. Country (FCF, D country)
  3. Budget Rate
  4. OHA Rate
  5. OHA Factor
  6. Actual OHA Enlisted Disbursement
  7. Budgeted OHA Enlisted Amount Military Personnel appropriation
  8. OHA Realized Variance Enlisted
  9. Actual OHA Officer Disbursement
  10. Budgeted OHA Officer Amount Military Personnel appropriation
  11. OHA Realized Variance Officer
  12. Actual OHA Officer/Enlisted Disbursement Total
  13. Budgeted OHA Officer/Enlisted Amount Military Personnel appropriation Total
  14. OHA Realized Variance Officer/Enlisted Total.

F. The following information is reported by PDTATAC and is used to prepare the monthly COLA and OHA foreign currency execution report:

1. Column A – Country. Lists the budget countries subject to FCF, D procedures.
2. Column B – Budget Rate. Fiscal year budget exchange rates as set by OUSD(C).
3. Column C – COLA Rate. Current market exchange rate upon which both COLA and OHA are set (allowance rate).
4. Column D – COLA Code. For countries with multiple COLAs, many locations are linked and receive the same index. This code identifies which locations are linked for COLA purposes.
5. Column E – COLA Code Change Identifier. Identifies whether a change has been made this period to the COLA Code.
6. Column F – Budget Index. COLA index based on budget rate.
7. Column G – Allowance Index. COLA index based on allowance rate.
8. Column H – COLA Factor. Multiplication factor for COLA disbursements based on budget and allowance indices.
9. Column I – OHA Factor. Budget rate minus the OHA rate divided by OHA rate.

070303. DD-COMP (M) 1761 – Foreign Currency Fluctuations, Construction, Defense (FCF, C, D) Report

A. DFAS-Indianapolis is responsible for submitting this consolidated monthly report to ODC (P/B), OUSD(C).

B. The central accounting activities, NSA, and DoDDS shall provide a monthly report to the DFAS Departmental Reporting Directorate-Indianapolis using the format in Figure 7-2.

1. Submit the reports in accordance with due dates established by DFAS-Indianapolis and consistent with the requirements of OUSD(C).
2. The report shall include the following:
  - a. Column 1 – Country. Alphabetically list the specified country.
  - b. Column 2 – Monetary Unit. Enter the monetary unit of the country.

c. Column 3 – Foreign Currency Unliquidated Obligations. Enter the dollar amount of unliquidated obligations at the budget rate. Report unliquidated obligations by fiscal year.

d. Column 4 – Accrued Variance. Enter the accrued variance for the unliquidated obligations in column 3. This amount may change from month to month as the current foreign currency exchange rate changes. Report accrued variances by fiscal year.

e. Column 5 – Foreign Currency Liquidated Obligations. Enter the dollar amount of total obligations liquidated for the report month at the budget rate.

f. Column 6 – Realized Variance. Enter the actual dollar amount of the variance resulting from liquidated obligations for the month. This amount represents the variance (difference) between obligations at the budget rate and the amount actually disbursed. All realized variances will be charged against the current year CMAs for construction, military family housing operations and maintenance, and military family housing construction.

g. Column 7 – CMA Projected 6-Month Disbursements. Enter the projected 6-month disbursements from the CMAs based on historical outlay data, contract requirements, and payment schedules.

3. The report shall also include footnotes showing:

a. The anticipated gains or losses for the rest of the fiscal year (estimate this by computing the variance that would occur if the present currency exchange rates were to remain unchanged during the remainder of the fiscal year).

b. The total amount of funding transferred to the CMAs from the FCF, C, D appropriation.

\*Figure 1. Foreign Currency Fluctuations, Defense Report: DD-COMP(M)1506

<p align="center"><b><u>FOREIGN CURRENCY FLUCTUATIONS, DEFENSE REPORT</u></b>  <b><u>FOR (Component and Appropriation)</u></b>  <b><u>AS OF: (DATE) (YYMMDD)</u></b>  <b><u>DD-COMP(M)1506</u></b></p>						
Country	Monetary Unit	Foreign Currency Unliquidated Obligations	Accrued Variance	Realized Variance	Obligations Incurred	Planned Overseas Program
(List Alphabetically)		(Budget Rate)			(Budget Rate)	(Budget Rate)
<p><b><u>FOOTNOTES:</u></b></p> <p>(1) CMA Funding</p> <p style="padding-left: 40px;">Transfers from FCF, D</p> <p style="padding-left: 40px;">Transfers from O&amp;M</p> <p style="padding-left: 40px;">Total CMA Funding</p> <p>(2) Anticipated Gains/Losses</p> <p>(3) Transfers to FCF, D (Favorable Fluctuations)</p> <p>(4) Projected Liquidations (Budget Rate)</p> <p>(5) Explanation of Deviation From Plan</p> <p align="center"><b>Figure 7-1</b></p>						

\*Figure 2. Foreign Currency Fluctuations, Construction, Defense Report: DD-COMP(M)1761

<p align="center"><b><u>FOREIGN CURRENCY FLUCTUATIONS, CONSTRUCTION, DEFENSE REPORT</u></b>  <b><u>FOR (Component and Appropriation)</u></b>  <b><u>AS OF: (DATE) (YYMMDD)</u></b>  <b><u>DD-COMP(M)1761</u></b></p>						
Country  (List Alphabetically)	Monetary Unit	Foreign Currency Unliquidated Obligations  (Budget Rate)	Accrued Variance	Foreign Currency Liquidated Obligations  (Budget Rate)	Realized Variance	CMA Projected 6-Month Disbursements
<p><u>FOOTNOTES:</u></p> <p>(1) Anticipated Gains/Losses remainder of year</p> <p>(2) Total funding provided from FCF,C,D</p>						

**Figure 7-2**