DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 3: "BUDGET EXECUTION - AVAILABILITY AND USE OF BUDGETARY RESOURCES"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 3, CHAPTER 2: "APPORTIONMENT/ REAPPORTIONMENT AND FUNDS DISTRIBUTION"

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 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Date refresh	Update
Title	Added funds distribution	Update
Multiple	Inserted and updated hyperlinks; edited, added and reorganized for clarity and to add funds distribution.	Update
Entire Chapter	Added and amplified guidance on funds distribution.	Update

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CHAPTER 2

APPORTIONMENT/ REAPPORTIONMENT AND FUNDS DISTRIBUTION

0201 GENERAL

020101. General

This Chapter provides information on the apportionment process, and the first level of funds distribution from the Office of the Under Secretary of Defense (Comptroller), Program Budget (OUSD(C)/PB) to the Military Services and Defense Agencies. It includes guidance for the preparation and submission of the Apportionment and Reapportionment Schedule (Standard Form (SF) 132) required by Office of Management and Budget (OMB) Circular No. A-11. Refer to ***OMB Circular No. A-11*** (Part 4, sections 120, 121, 123, and Appendix F) and the ***OMB Internet Apportionment System User Guide*** for any additional information not otherwise addressed in this chapter.

020102. Legal Requirement

Apportionment is part of the government-wide system for the administrative control of funds. The legal requirement for apportionment is found at sections 1512 and 1513 of Title 31 United States Code (U.S.C.). Unless expressly exempted or automatically apportioned, all DoD appropriated, collected, and recovered resources require OMB approval through the apportionment/reapportionment process before they are available for distribution and legal obligation. Apportionments may contain quarterly and programmatic limitations on the face of the apportionment document (SF 132) and may provide more account specific guidance in the accompanying footnotes. Revisions to the previous apportionment, called reapportionment, reflect changes to resources previously authorized for obligation, including collections and recoveries of prior year obligations. Apportionments, including footnotes, are legally binding on DoD.

020103. Apportionment Level

OMB manages and approves apportionments at the Treasury appropriation fund symbol (TAFS) level. Each TAFS is comprised of a Treasury departmental index, a period of availability to incur new obligations, and a Treasury account symbol. A TAFS for Military Personnel, Army would be 21-20BB/20EE-2010, where BB and EE represent the fiscal year beginning point and ending point of authority to incur new obligations specified in appropriations and authorization acts.

020104. Funds Allocation

Following approval of apportionment/reapportionment requests by OMB, OUSD(C)/PB allocates funds to the Military Services and Defense Agencies. Funds distributed by OUSD(C)/PB may be further subdivided through sub-allocation and sub-allotment to lower levels within the organizations or across organizations for execution.

*0202 REQUIREMENTS

020201. Accounts Requiring Apportionment

All appropriations require apportionment, except appropriations and funds that OMB has informed the agency in writing are not subject to apportionment. Refer to ***OMB Circular No. A-11*** (Part 4, Sections 120.7, and 120.8). Approriations with TAFS for which budgetary resources are available only for transfer to other TAFS are exempt from apportionment.

A. The OMB currently exempts the following accounts from apportionment (available at ***OMB's web-based apportionment module)***:

1. Department of Defense—Military:

17X8008 Office of Naval Records and History Fund
17X8423 Midshipmen's Store, United States Naval Academy
17X8716 Department of the Navy General Gift Fund
17X8723 Ships Stores Profits, Navy
17X8730 United States Naval Academy Museum Fund
17X8733 United States Naval Academy General Gift Fund
21X8063 Bequest of Major General Fred C. Ainsworth, Library, Walter Reed
21X8064 Fisher Houses
21X8174 National Science Center Gift Fund
21X8927 Department of the Army General Gift Fund
21X9971 Other DOD Trust Funds
57X8170 Fisher House Trust Fund, Depart of the Air Force
57X8418 Air Force Cadet Fund
57X8928 Department of the Air Force General Gift Fund
97X8165 Foreign National Employees Separation Pay
97X8311 Uniformed Services University of the Health Sciences Gift Fund
97X8335 Voluntary Separation Incentive Fund
97X8337 Host Nation Support Fund for Relocation
97X9981 Other Department of Defense Trust Revolving Funds

2. Other Defense Civil:

21X5285 Department of Defense, Forest Products Program, Army
97 0040 Payments to Military Retirement Fund, Defense
97X8097 Department of Defense Military Retirement Fund
97X8098 Department of Defense, Education Benefits Fund

020202. Accounts Requiring Reapportionment

All accounts which must be apportioned must also be reapportioned for ***any upward adjustment of budgetary resources greater than $400,000 or two percent (whichever is lower)*** before the increased resources may be obligated. The unobligated balances brought forward in unexpired accounts must also be reapportioned annually. Refer to ***OMB Circular No. A-11*** (Part 4, sections 120.37, and 120.38). For control purposes, OUSD(C)/PB also apportions decreases in budgetary resources resulting from reprogramming actions and/or funds withdrawn. Expired accounts are not apportioned. Transfer-only accounts are exempt from apportionment. All accounts being reapportioned must be compared to the most current SF133, Report on Budget Execution and Budgetary Resources (SF133), applying at a minimum the standards in paragraph 020204 below.

020203. Funds Controlled and Distributed by OUSD(C)/PB

Initial distribution to Military Services and Defense Agencies is the responsibility of OUSD(C)/PB for all funds appropriated by Congress or made available through above-threshold reprogrammings and transfers from other TAFS. The assigned OUSD(C)/PB analyst for each appropriation account will allocate funds to the Military Services and Defense Agencies by means of funds authorization documents (FADs). Distribution will be made after funds are apportioned as necessary. Distribution below the level of initial transfer to the Military Services and Defense Agencies will be the responsibility of the Services and Agencies. Transfer-only accounts are not available for obligation or outlay, and budgetary resources in such accounts will not be distributed directly from the transfer accounts; such funds are distributed using reprogramming procedures governed by Volume 3, chapter 6 to the FAD for the recipient appropriation.

020204. Periodic Review

Analysts responsible for preparation of apportionment requests will review apportioned amounts a minimum of four times per year and make any necessary adjustments. The review will be performed two-weeks prior to each quarter-end, and necessary adjustments will be submitted to allow at least 10 days processing time for any necessary reapportionments. At a minimum the review will include the following:

A. Confirm unobligated balances forward, appropriations received, and permanent reductions to amounts reported on the SF133. Coordinate with DFAS to resolve discrepancies.

B. Check ***reasonableness*** of transfers to amounts reported on the most recent SF133. Reconcile as necessary (possible timing differences). Refer to ***OMB Circular No. A-11*** (Appendix F) for proper reporting of expired and unexpired balances transferred.

C. Update recoveries and spending authority from offsetting collections to actual amounts reported on the most recent SF133.

D. Ensure sufficient amounts are apportioned for projected obligations through the end of the respective quarter; for both direct and reimbursable funding, and by quarter or category. Request reapportionment as necessary to avoid a deficiency.

*****0203 PROCEDURES

020301. Preparation of Apportionment and Reapportionment Requests

All requests will be created electronically using the ***OMB's web-based apportionment module***. Refer to the ***OMB Internet Apportionment System User Guide*** for detailed instructions to prepare SF132 requests. Apportionment requests will be submitted by responsible Military Service and Defense-Wide analysts to OUSD(C)/PB, Program and Financial Control (P&FC), and will be validated in OMB's MAX system prior to submission. Submit requests in accordance with the following:

A. Timing and minimum requirements:

1. For new appropriations, submit requests within 5 calendar days after enactment of appropriations acts appropriating funds to DoD. At the direction of the OUSD(C), the SF 132 apportionment requests may be required to execute fund transfers

mandated or authorized in an appropriations act. Refer to paragraph 020504 for information about budgetary resources available to agencies pending OMB approval of an initial apportionment following newly enacted appropriations, and paragraph 020505 for information about apportionment requirements under continuing resolutions.

2. For revolving, public enterprise, and special funds submit requests based on budget estimates by August 14. Amounts must reconcile to the current budget request.

3. Estimated unobligated balances on all multi-year accounts which will be available for obligation in the following year will be submitted by August 14. Estimates will be based on unobligated balances on the July SF133. Include anticipated reimbursements in this request as applicable.

4. Reapportionment requests will be submitted at various times throughout the year as needed to reflect changes in resources. Reapportionment is also necessary if amounts require redistribution among apportionment categories (refer to C below). Refer to paragraph 020204 for minimum review requirements to be performed with every reapportionment. Update collections and recoveries to actual amounts reflected on the SF133 with each reapportionment.

B. Apportionment Categories. Apportionments are identified by four categories (A, B, AB and C) designated in ***OMB Circular No. A-11***, Part 4, Section 120.9. DoD uses, at a minimum, the following categories:

1. Category A, Quarterly apportionments as follows:

Line 6001: First Quarter
Line 6002: Second Quarter
Line 6003: Third Quarter
Line 6004: Fourth Quarter

2. Category B, Program or Project level apportionments will be reported on lines 6011 – 6159 for multi-year accounts. Accounts may be apportioned lump sum, by business area, or by program or project.

3. Defense Working Capital Funds (WCF) requests will identify apportionments for the Military Service/Agency business areas by listing them as separate Category B apportionments.

C. Footnotes are an essential mechanism for administrative control of funds used in apportionments. They provide supporting explanation and clarity. Incorporating explanatory footnotes sufficient to support the changes on the SF132 will facilitate faster processing at OMB. Refer to ***OMB Circular No. A-11***, (Part 4, sections 120.38 – 120.41) for additional information.

1. The following footnotes will be included at a minimum on all DoD apportionments:

a. "Pursuant to Title 31 U.S.C. Subsection 1553(b), not to exceed 1 percent of the total appropriations for this account is apportioned for the purpose of paying legitimate obligations related to canceled appropriations."

b. "A classified attachment displaying the apportionment of specific classified programs within the amount displayed may be included. All documents associated with this apportionment are unclassified except for the Classified Attachment. The classified apportionment shall be allotted in full and executed without change. Such apportionment shall remain valid during the fiscal year until such time as a reapportionment of such classified apportionment is required. Allotments shall be made no later than 30 days after OMB signs the apportionment or the start of the subsequent calendar month, whichever is later."

c. "Actual amounts recovered are automatically apportioned."

d. "Adjustments to spending authority from offsetting collections may be made without further action from OMB."

2. While under continuing resolution, should a separate written apportionment be required, the following additional footnotes will be included:

a. "For any subsequent extensions of the Continuing Appropriations Act, ***(insert year),*** in addition to the amounts previously apportioned, this account will receive the amounts automatically apportioned via ***(insert OMB Bulletin number)*** using the daily rate, provided that the total amount apportioned during the CR period does not exceed the total annualized level of the CR."

b. "Apportioned amounts may be increased during the CR period for any additional spending authority from offsetting collections received."

D. Allocation Transfers to Other Agencies (Parent/Child transfers). Allocation transfers to other agencies for execution of funds on behalf of DoD will be reflected on all apportionment/reapportionment requests. Refer to the example at ***OMB Circular No. A-11***, Part 4, Section 121, Exhibit 121P. Use line split "P" for "Parent" and "C" for "Child" in the line split column of the apportionment category.

020302. Supporting Information

Each apportionment document will be accompanied by a written explanation of the requested apportionment action (footnotes will suffice for most requests).

020303. File naming conventions

Requests will be submitted with a consistent file naming convention. File names will begin with the two-position fiscal year (FY), followed by the account abbreviation, the two-position Treasury Index, the four-position account number, the 4 or 8-position period of availability (POA), and a sequence number in parenthesis (filenames and sequence numbers may be changed at P&FC when necessary). Examples of acceptable file names:

A. 12 OMA 21 2020 2012 (3).xls would represent Operation and Maintenance, Army's third FY 12 submission.

B. 12 BRAC 97 0512 X (2).xls would represent the Base Realignment and Closure account's second FY 12 submission

C. 12 APAF 57 3010 2012-2014 (2).xls would represent Aircraft Procurement, Air Force's second FY 12 submission of the 2012/2014 POA.

020304. Submission Instructions

MAX-validated SF 132 Apportionment Requests will be submitted to OUSD(C), P&FC at the following email address: ***OUSDC.Apportionments@osd.mil.***

0204 NOTIFICATION TO COMPONENT OF DOD COMPTROLLER AND OFFICE OF MANAGEMENT AND BUDGET ACTION

020401. Notification to DoD Components of OUSD(C) Action

The OUSD(C) will notify the Component involved of amounts recommended by the OUSD(C) if such amounts differ significantly from those requested by the DoD Component.

020402. Action by OMB

The OMB will indicate to the OUSD(C) the action taken in regard to the initial request for apportionment within the time prescribed by law, and in regard to reapportionment, generally within ten days after receipt of the request. This is accomplished via email notification.

020403. Notification to DoD Component of OMB Action

Upon receipt of the email notification of OMB action, the OUSD(C), P&FC will forward the OMB approved apportionment document, together with any correspondence relating thereto, to the OUSD(C) appropriation managers and the DoD Component points of contact. Appropriation managers will issue FADs to the Components.

*0205 SPECIAL INSTRUCTIONS

020501. NATO Security Investment Program

NATO infrastructure recoupments will be reported as collections. If it is anticipated that amounts will be recouped during the FY an estimate should be apportioned as anticipated reimbursements.

020502. Surcharge Collections, Sales of Commissary Stores - Trust Revolving Fund

Title 10 U.S.C. Section 2685 permits obligation of anticipated proceeds from the adjustments or surcharges authorized by Section 2685. Prior to any such obligation of funds, the amounts must be apportioned as contract authority on of the SF 132.

020503. Letter Apportionments

Letter apportionments may be requested by OUSD(C) under certain circumstances, such as periods under Continuing Resolution Authority, or for prior approval reprogramming actions or internal reprogramming actions. Subsequent requests for reapportionment will reflect the amounts approved on the letter apportionment in all columns of the SF 132.

020504. Interim Apportionment Authority for Initial Appropriations Act

In cases where OMB is reviewing the first apportionment request for newly enacted appropriations, OMB automatically apportions up to a 30-day level of resources. Refer to ***OMB***

Circular No. A-11 (Part 4, section 120.28) for additional guidance to calculate the amount automatically apportioned. Once the written apportionment is approved by OMB, the automatic apportionment ceases to remain in effect. This authority may be further limited or modified by OUSD(C) and OMB direction.

020505. Apportionment Requirements under Continuing Resolution (CR)

When an appropriations act for a fiscal year has not been signed by October 1, Congress generally will pass a resolution appropriating funds to allow for the continuation of government operations for a specified period of time or until under enactment of an appropriations act providing appropriations for the fiscal year. The CR is generally for a short term period, and there may be multiple CRs or CR extensions before an act is finally passed. Each CR must be signed into law by the President before becoming effective. The OMB publishes a bulletin with the first CR providing guidance to clarify how appropriations will be calculated.

A. Annualized appropriations and automatic apportionment while under CR will be calculated by OUSD(C)/PB, P&FC based on the CR and guidance in the OMB bulletin issued with the first CR. The P&FC will provide appropriations and adjustments for reporting in the AR1002 and SF133, and available funds under CR to all Components, along with guidance to be followed while under CR. All P&FC calculations and fund balances/availability will be at the account level. Updates will be provided with each subsequent CR until an appropriations bill is passed. Appropriations and apportionments while under CR will be recorded in the SF133 in accordance with ***OMB Circular No. A-11*** (Appendix F).

B. Pursuant to written exceptions from OMB, during the period of a CR DoD reimbursements generally are automatically apportioned to the extent that orders are received. OMB authorizes the exception in writing when it becomes evident that agency operations under a CR are imminent. This special exception for automatic apportionment of reimbursements will be conveyed to Components with the guidance accompanying the initial CR.

C. Should Components require more funds than are automatically available to them under the CR, an exception apportionment will be required. Guidance for submission of an exception will be included in the CR guidance. The OMB requires that Components receiving exception apportionments prepare a written apportionment with each subsequent CR per ***OMB Circular No. A-11*** (Part 4, section 123.6 and 123.7). This requirement can be overcome by including the proper footnotes in each written apportionment. Refer to 020301.C. above for mandatory footnotes to include on written apportionments while under CR.

*0206 RESCISSONS AND DEFERRALS

020601. Rescissions and Deferrals – General.

A. Available budgetary resources may be withheld from obligation or expenditure through impoundment, either permanently (rescission) or temporarily (deferral) under conditions set forth in ***Title 31 U.S.C. Section 1512*** and the Congressional Budget and Impoundment Control Act ***(Title 2 U.S.C. Sections 683 and 684)***. Budgetary resources may be deferred to provide for contingencies; to achieve savings made possible by or through changes in requirements or greater efficiency of operations; or as specifically provided by law, except that funds available for only one fiscal year may not be deferred through the end of that year. ***For additional information and definitions of rescissions and deferrals, refer to OMB Circular No. A-11 (Part 4, section 112).***

B. Reapportionment will generally be required when funds are proposed for rescission or deferral. For procedures and special reporting requirements, refer to ***OMB Circular No. A-11*** (Part 4, sections 123.5 - 123.13).

C. As the fourth quarter approaches, Components should review all deferrals (particularly of funds expiring at the end of the year) to ensure that amounts deferred for only part of the year will be released in time to be used prudently before the year ends. If a determination is made that such amounts should not be used, a rescission will be proposed prior to the beginning of the fourth fiscal quarter. Only in exceptional cases will rescissions be proposed during the fourth quarter. All proposed rescissions must be approved by the OMB.

D. Refer to ***OMB Circular No. A-11*** (Part 4, sections 112-14 – 112-16) for guidance with regard to apportionment actions to be taken when rescission proposals and deferrals are enacted, released, or disapproved.

VOLUME 3, CHAPTER 3: "APPROPRIATION TRANSFER AUTHORITIES"

SUMMARY OF MAJOR CHANGES

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CHAPTER 3

APPROPRIATION TRANSFER AUTHORITIES

0301 GENERAL

In addition to the regular and supplemental appropriations that make funds available, the Congress has provided authority for transfers of funds, i.e., moving funds from one appropriation to another. This section identifies and describes the various transfer authorities that are available to the Department and prescribes action required to exercise transfer authority.

0302 TYPES OF TRANSFER AUTHORITIES

030201. Authority for Nonexpenditure Transfers:

May be included in permanent, one-time or recurring provisions of law. Most of the transfers within the Department, however, are made pursuant to authority granted in the annual Appropriations Act. Some of the transfer authorities are provided solely for administrative convenience and some allow no discretionary action. Basic responsibility for transfer of funds relating to nonexpenditure transfers will be assigned to the Department of Defense (DoD) Components from which the funds are transferred.

030202. Authority for Transfers Affecting Budget Availability

A. Congressionally Directed Transfers. This type of transfer is included in the applicable DoD Appropriations Acts, either in the General Provisions or in the language that enacts the individual appropriations. The Act itself then becomes the authority for DoD Components to process the transfer documents.

B. General Transfer Authority. The General Provisions sections of DoD Appropriations and Authorization Acts provide authority to transfer funds between appropriations, or between appropriation subdivisions approved in the Acts, upon determination by the Secretary of Defense that such action is necessary in the national interest; provided that such authority to transfer may not be used unless for higher priority items, based on unforeseen military requirements, than the items for which funds were originally appropriated, and in no case where the item for which funds are requested has been denied by the Congress. The Congress must be notified promptly of all transfers made under this authority. The Appropriations Act authority requires approval of the OMB; the Authorization Act authority does not include that requirement.

C. Transfers Between Working Capital Funds. Generally, the DoD Appropriations Act provides authority, during the current fiscal year, to transfer cash balances between working capital funds and the Foreign Currency Fluctuations, Defense and Operation and Maintenance appropriation accounts. Transfers may be made between such funds in such amounts as may be determined by the Secretary of Defense, with the approval of the OMB, except that transfers may not be made unless the Secretary of Defense has notified the Congress

of the proposed transfer. Except in amounts equal to the amounts appropriated to working capital funds in the Act, no obligations may be made against a working capital fund to procure war reserve material inventory, unless the Secretary of Defense has notified the Congress prior to any such obligation.

D. Transfer of Funds for Intelligence Activities. See Chapter 6, section 0606 for intelligence-related transfer authorities.

E. Transfer Accounts. Various Appropriation and Authorization Acts have included language making funds available or transfer authority available for accounts such as Environmental Restoration, Defense; Drug Interdiction and Counter-Drug Activities, Defense; Foreign Currency Fluctuations, Defense; Foreign Currency Fluctuations, Construction, Defense; Iraq Freedom Fund; and Mine Resistant Ambush Protected Vehicle Fund.

F. Transfer of Funds and Personnel for Functional Transfers Within the Department of Defense. When a transfer of function, power, or duty is made within the Department of Defense from one Military Department or Defense Agency to another, pursuant to the authority of Title 10, United States Code, section 125, balances of appropriations and civilian employee positions, that the Secretary of Defense determines are available and needed to finance and perform that function, power, duty, or activity, may be transferred, with the approval of the President (as delegated to the OMB). Funds transferred to the department or agency to which that function, power, duty, or activity, as the case may be, is transferred, and used for any purpose for which those appropriations were originally available shall be made in accordance with Title 10, United States Code, section 126 (see Chapter 4).

G. Transfer of Funds for Functional Transfers Between Government Agencies. Title 31, United States Code, section 1531 (a) provides similar authority to 10 U.S.C. 126, above, limited to appropriations. Title 31, United States Code, section 1531 (b) provides that the head of the agency, with the President's approval, determines the amounts to be transferred in the case of intra-agency transfers and that the President determines the amounts to be transferred in the case of inter-agency transfers.

H. Transfer of Funds to Other Departments and Agencies: Limitation. Title 10, United States Code, section 2215 provides that funds available for military functions of the Department of Defense may not be made available to any other department or agency of the Federal Government pursuant to a provision of law enacted after November 29, 1989, unless, not less than 30 days before such funds are made available to such other department or agency, the Secretary of Defense submits to the House Armed Services and Senate Armed Services Committees and the Committees on Appropriations of the Senate and House of Representatives a certification that making those funds available to such other department or agency is in the national security interest of the United States.

0303 STATUS REPORT ON TRANSFER ACTIONS

To ensure that all required actions relating to transfers are accomplished in a timely manner, the OUSD(C)/P&FC will maintain and publish periodically a status report on transfer actions.

0304 ACTIONS RELATED TO EXERCISE OF TRANSFER AUTHORITY

030401. Proposals to Exercise Transfer Authority:

Should be submitted formally by the DoD Components to the OUSD(C) for processing. The submission must state the statutory authority for the proposed transfer.

030402. Secretary of Defense Determination.

In most cases, authority is provided for transfer by the Secretary of Defense in amounts determined by the Secretary of Defense, or upon determination by the Secretary of Defense that certain conditions exist. Secretary of Defense determinations, when required, either will be obtained or signed by the OUSD(C). In processing SF 1151 transfer documents to the Treasury Department, the statutory authority for the transfer must be cited, with references to documents constituting determinations and copies of the associated OMB or Presidential approvals when required.

030403. <u>OMB/Presidential Approval</u>

Where the statutory authority requires a determination or OMB/Presidential approval for the transfer, the OUSD(C) will obtain the necessary approval. The OMB approval may also include the apportionment of funds.

030404. Reprogramming Actions

Reprogramming actions (DD 1415) made pursuant to provisions of Chapter 6, will be submitted whenever necessary to provide accountability for increases or decreases between DoD appropriations. Accordingly, reprogramming actions are required to reflect transfer amounts that are not congressionally directed. The timing for submission of the DD 1415 depends upon the nature of the transfer and the amount involved.

030405. Processing of Non-Expenditure Transfer (NET)

A. Except as stated below, **NET** documents transferring funds between DoD appropriation and fund accounts should not be processed prior to the receipt of an OUSD(C) memorandum directing that such action be taken. The following types of transfers may be made without prior approval of the OUSD(C):

1. Transfers of funds for functional transfers between government agencies (31 U.S.C. 1531) - when the request is initiated by a government agency other than the Department of Defense.

2. Transfers of obligational authority from one agency to a transfer appropriation account that is established in another agency to carry out the purposes of the parent appropriation or fund. Such transfers are not adjustments to budget authority or balances of budget authority.

B. The memorandum from the OUSD(C) directing that an **NET** be processed will be addressed both to the transferring office and the recipient office, and will include the following information.

1. Identity of the transferring office.

2. Account from which funds are to be transferred and the recipient account.

3. Amount of the transfer in dollars.

4. Statutory references for the transfer authority.

5. Reference to enclosure of a Secretary of Defense determination, if applicable.

6. Reference to enclosure of an OMB approval, if applicable.

7. Statement of whether the action is an appropriation transfer, a reappropriation, or obligated and unobligated transfer.

8. Statement as to the reprogramming action (DD 1415) serial number on which transfers are reflected.

9. Statement as to the applicable lines on the Apportionment and Reapportionment Schedule (SF 132) on which the transfer amounts must be reflected, when submitting the required schedule or subsequent reapportionments.

10. Statement as to the applicable lines on the Report on Budget Execution (SF 133) on which the transfer amounts must be reflected, when the transfer is made.

11. Statement as to the official responsible for issuance of the applicable fund authorization documents (e.g., EOB, DD 440, approval/deferral memos).

12. Statement that either the OUSD(C) or other applicable designee will make formal notification to the Congress of the amount transferred, if required by law.

C. All NET shall be processed through the Department of Treasury Government-Wide Accounting System Authority Transfer Module.

030406. Notification to the Congress

A. When there is a statutory requirement that transfers be reported to the Congress, such notification is made to the President of the Senate and to the Speaker of the House of Representatives promptly by the OUSD(C) upon completion of transfer action. In accordance with informal arrangements between the Department of Defense and the cognizant Subcommittees of the Committees on Appropriations, a copy of the report is transmitted to those cognizant Subcommittees and to the House Armed Services and Senate Armed Services Committees.

B. It should be noted that, although transfers of funds pursuant to Title 10, United States Code, section 126 need not be reported to the Congress, transfers of functions pursuant to 10 U.S.C. 125 must be reported when there is a substantial reduction or elimination of a major weapons system. The OSD office submitting the transfer of function documents to the Secretary of Defense for approval is responsible for preparing documents to notify the Congress.

030407. Apportionment and Reapportionment Schedules

A. Pursuant to provisions of OMB Circular A-11 and Chapter 2, all approved and/or appropriated transfers will be reflected on Apportionment and Reapportionment Schedules (SF 132). For certain transfers specified in Chapter 2 (e.g., Foreign Currency Fluctuations, Defense or Environmental Restoration), the gaining and losing accounts automatically are apportioned and transfers will be reflected on subsequent schedules that are generated for other purposes during the year.

B. Each Apportionment and Reapportionment Schedule submitted must show all transfers processed to date. The SF 132 is processed concurrently for both the gaining and losing appropriations.

030408. Guidance on SF 133 Treatment

Although OMB Circular A-11 does not contemplate that transfers will be included on the "Report on Budget Execution" (SF 133) until the **NET** action is completed, transfers may be included on the SF 133 on an anticipated basis when all statutory requirements for the transfer have been met but prior to the processing of the **NET**. Decisions relating to anticipated transfers on the SF 133 will reflect the agreed-upon position of the OUSD(C) and the OMB.

030409. Fund Authorization Documents

Changes will be made to the EOB, DD 440, etc., to reflect program adjustments resulting from the transfers, as determined by the cognizant Program/Budget appropriation director in the OUSD(C).

VOLUME 3, CHAPTER 4: "FUNCTIONAL TRANSFERS"

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 November 2008 is archived.

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CHAPTER 4

FUNCTIONAL TRANSFERS

0401 STATUTORY AUTHORITY

Under the provisions of Title 10, United States Code, section 125, the Secretary of Defense is authorized to transfer, reassign, consolidate or abolish any function, power or duty vested in the Department. Whenever a transfer of function, power or duty is accomplished under the authority of Title 10, U.S.C. 125, balances of appropriations and civilian employees, that the Secretary of Defense determines are available and needed to finance and perform that function, power, duty or activity, may be transferred, with the approval of the President as delegated to the OMB in accordance with Title 10, United States Code, section 126.

0402 TYPES OF TRANSFER AUTHORITIES

040201. Fund Adjustments:

Necessitated by a transfer of functions during a current year should be handled to the extent possible on a reimbursable basis. Only when financing of such transfers through the reimbursement process presents serious burdens or involves significant amounts should a transfer of funds be requested.

040202. Transfer of Funds

When transfers of funds are necessary as a result of transfer of functions under Title 10, United States Code, section 125, it will be the responsibility of the receiving DoD Component to request that the USD(C) obtain the necessary determination and approval for the transfer of funds. The request shall be prepared in accordance with Title 10, United States Code, section 126 and the provisions of Chapter 3 contain a statement that the DoD Components concerned have agreed to the amounts proposed for transfer. A copy of the Secretary of Defense approval of the transfer of functions (under 10 U.S.C. 125) should accompany the request.

VOLUME 3, CHAPTER 5: "SPECIAL MILITARY CONSTRUCTION/FAMILY HOUSING FUND RELEASE PROCEDURES"

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.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Date refresh.	Refresh
Overall	Revised narrative for clarification of submission requirements.	Update

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CHAPTER 5

SPECIAL MILITARY CONSTRUCTION/FAMILY HOUSING FUND RELEASE PROCEDURES

0501 GENERAL

This chapter provides guidance on the fund release and the project approval procedures applicable to the military construction and family housing appropriations.

0502 OVERVIEW

050201. Fund Approval

For the military construction and family housing construction accounts will be accomplished by the submission of a request from the cognizant Department of Defense (DoD) Component in a format 460 to the Office of the Under Secretary of Defense (Comptroller) (OUSD)(C) Program Budget (P/B) Military Personnel and Construction Directorate. An example of this format, and the instructions for its completion, are included in Appendix A of this chapter.

050202. Family Housing

A format 460 does not need to be submitted for Family Housing, Operation and Maintenance (O&M) annual accounts. Fund approvals providing quarterly limitations by budget activity for these accounts will continue to be accomplished by OUSD(C) Obligational Authority memoranda.

050203. OUSD(C) Review

Upon OUSD(C) review of the DoD Component submission, a fund approval will be issued to the requesting Component to provide obligational authority corresponding to the action taken on the request as reflected in the Office of Secretary of Defense (OSD) approved column of the format 460. A copy of the format 460 will be attached to the fund approval. A sample of the fund approval is provided in Appendix B.

050204. Document Approval

The approval document limits the Component's authority to incur obligations. Further, obligations will not be incurred prior to the receipt of the fund approval document or in excess of the amounts shown therein.

0503 SUBMISSION REQUIREMENTS

A fund release will be required to request the initial fund authorization document; to request the release of funds for projects previously placed on hold by OUSD(C); to support an approved apportionment/reapportionment schedule (SF 132); and to support an approved formal reprogramming action.

APPENDIX A

INSTRUCTIONS FOR FORMAT 460 "MILITARY CONSTRUCTION/FAMILY HOUSING PROGRAM FUND APPROVAL"

A. Requirement. A format 460 is required for all Military and Family Housing Construction accounts. It will be executed in project detail for the major construction and new construction budget activities and executed as a lump sum for all other budget activities. The format is intended to provide a complete listing of all the disposition of the funds provided by the applicable appropriation act and includes all reprogramming actions.

B. Entries. Columnar entries shall be as follows:

1. State/Country/Installation/Project. Display the name of the installation and the project title as reflected in the National Defense Authorization Act (NDAA). If there is more than one project at an installation or activity, the installation or activity title should not be repeated. The project listing should be in state or country sequence with the same installation and project nomenclature as appearing in the NDAA. The centrally managed allotment (CMA) for foreign currency fluctuation should be shown as a separate entry at the end of the project listing.

2. Project Number. Display the Component-assigned project number associated with the project.

3. Special Interest. The special interest column should contain an asterisk if the project was reduced by either chamber of the Congress during the enactment process or was indicated to be of special interest in a congressional report.

4. Appropriated Amount. The amount shown in this column must be consistent with the amount shown for the project in the Appropriation Act. The total of all amounts shown in this column must correspond to the amount provided in the applicable appropriation act covered by the apportionment/reapportionment exhibit. If the amount appropriated and authorized for a project differs, a footnote (providing the authorized amount) is required to document this difference. For the foreign currency fluctuation CMA this line is blank.

5. Formal Reprogramming. If the project appears in a formal reprogramming request, either as a recipient of funds or as a source of funds, enter the adjustment in this column which shall be consistent with the amount shown in the reprogramming request. Split funding refers to a project funded using more than one appropriation. If projects have been split funded, only the amount of resources covered by the apportionment should be identified against the project and the project appropriately footnoted.

6. Below Threshold Reprogramming. This column is similar to the previous column; however, it is used when the project never appeared in a formal reprogramming request, i.e., resources have been realigned below the threshold requiring prior approval.

7. Previously Approved. This column represents the amount Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) currently apportioned against the project--the amount appearing on the latest format 460 formally submitted to OUSD(C). Split funded projects will show only the resources from the fiscal year covered by the apportionment and will be footnoted to indicate where the balance of resources resides. The DD 460 is to be updated to reflect the foreign currency fluctuation CMA, which is automatically apportioned.

8. Proposed. This column represents the amount being requested for apportionment against this project.

9. Office of Secretary of Defense (OSD) Approved. OUSD(C) will indicate the amount approved in this column.

10. Quarter Award. Enter the quarter and fiscal year in which the project was awarded or is expected to be awarded. For the foreign currency fluctuation CMA this column is blank.

11. Delta from Previous Submission. This reflects the difference between the previously approved and the proposed amounts.

12. OSD Withhold. OUSD(C) will indicate the amount on hold in this column.

13. Appropriation Title: Reflect the appropriate Military Construction or Family Housing Construction appropriation title.

14. Symbol. Enter the Treasury code for the account for which obligational authority is being sought. For example, 21 08/12 2050 would represent the FY 2008 Military Construction Army account. The Defense Agencies should include the limitation separated by a period from the 4-digit Treasury code. For example, 97 10/14 0500.1400 would represent FY 2010 Military Construction Defense Agency funds provided to the Tricare Management Activity.

15. Submission No. The first two digits of the submission number should equate to the last two digits of the fiscal year in which the format 460 is submitted. The middle digit(s) should equate to a period of availability or program year of the funds. For example, the FY 2008 program would be 08/12. The last digit(s) represent the submission number in that fiscal year. For example, the initial submission would be "1" and all subsequent submissions incremented accordingly.

16. Footnotes. Include footnotes related to Congressional adds and rescissions, formal reprogramming, split funding, and when the authorized amount differs from the appropriated amount to create an audit trail that ties back to legislation or specific justification documents.

MILITARY CONSTRUCTION or FAMILY HOUSING PROGRAM/FUND APPROVAL		APPROPRIATION TITLE: (13) SYMBOL: (14)								SUBMISSION NO: (15) AS OF:	
STATE/COUNTRY/ INSTALLATION/PROJECTS	PROJECT NO.	SPE INT	APPROP AMOUNT	FORMAL REPROGRAM	BELOW THRESHOLD REPROGRAM	PREVIOUSLY APPROVED	PROPOSED	OSD APPROVED	QTR AWD	DELTA FROM PREVIOUS SUBMISSION	OSD WITHHOLD
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)

Footnotes: **(16)**

460 Format

APPENDIX B

MEMORANDUM FOR ASSISTANT SECRETARY OF THE _____
(FINANCIAL MANAGEMENT AND COMPTROLLER)

MILITARY CONSTRUCTION or FAMILY HOUSING CONSTRUCTION, (Enter Component)

OBLIGATION LIMITATION

PROGRAM YEAR #### OBLIGATION AUTHORITY

BUDGET ACTIVITY	PREVIOUSLY APPROVED	THIS ADJUSTMENT	REVISED APPROVED*
MAJOR CONSTRUCTION			
MINOR CONSTRUCTION			
PLANNING AND DESIGN			
FOREIGN CURRENCY ALLOTMENT (CMA)			
TOTAL DIRECT PROGRAM			
REIMBURSABLE AUTHORITY			
TOTAL			

* The amounts shown in the revised approved column represent limitations subject to the provision of Title 31, United States Code, Section 1517, the Antideficiency Act. Obligations are not to be incurred beyond the revised amounts shown for each budget activity without the specific prior approval of the Office of the Under Secretary of Defense (Comptroller).

Authorization No.	Date	Approved

VOLUME 3, CHAPTER 6: "REPROGRAMMING OF DOD APPROPRIATED 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.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
060602	House Permanent Select Committee on Intelligence (HPSCI) approval required for Military Intelligence Program (MIP) Prior Approval (PA) reprogramming actions.	Addition

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CHAPTER 6

REPROGRAMMING OF DOD APPROPRIATED FUNDS

0601 PURPOSE

060101. Department for the Reprogramming

This chapter establishes the policies of the Department for the reprogramming of appropriated funds. Guidance in this chapter reflects recognition by the Congress of the practice of reprogramming DoD funds covered in DoD Appropriations Acts as a necessary, desirable, and timely device for achieving flexibility in the execution of DoD programs. Also, reprogramming policies and procedures for military construction and family housing appropriations covered by the Military Construction Appropriations Act can be found in Chapter 7 and the National Intelligence Program (NIP) reprogramming policies and procedures covered by the National Security Act of 1947, as amended, can be found in section 0606, Reprogramming of Intelligence Resources.

060102. Reprogramming Procedures

Procedures are provided for establishing the base for reprogramming actions; submitting, approving, and processing reprogramming actions; and for the semiannual report of programs reflecting all supplemental appropriations, rescissions, transfers, and reprogramming actions.

060103. Reprogramming Policy

The policy herein replaces reprogramming guidance contained in the September 2010, DOD 7000.14-R, "Financial Management Regulation," Volume 3.

0602 REPROGRAMMING DOCUMENTS IN GENERAL

060201. DD 1414, Base for Reprogramming Actions

The DD 1414 establishes the base for reprogramming actions. The document is footnoted to identify those items known to be of special interest to one or more of the congressional committees and those items specifically denied by the Congress. The items should include, as a minimum, those items that are identified in the congressional committee or conference reports using the phrases "only for" or "only to" or are specifically identified as congressional special interest items in the conference report tables. Each item will be carried on the DD Form 1414 in the amount agreed to by the committees.

060202. DD 1415, Reprogramming Action

Reprogramming actions, upon approval of the Department, will be used to request the prior approval (DD 1415-1) of the congressional committees or for internal reprogramming (DD 1415-3) requiring audit-trail type documentation.

060203. DD 1416, Report of Programs

This report reflects the congressionally approved programs as enacted, reprogramming actions which have been approved, congressionally directed undistributed amounts and transfers, and reprogramming of funds that have been implemented by a DoD Component using below-threshold reprogramming flexibility. This report is prepared quarterly and submitted 30 days after the end of each quarter, electronically in the approved Microsoft spreadsheet to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Program and Financial Control Directorate (P&FC) for Title III, Procurement and Title IV, Research, Development, Test, and Evaluation.

0603 DETAILED PROCEDURES FOR BASE FOR REPROGRAMMING ACTIONS

060301. General

The DD Form 1414, Base for Reprogramming Actions, establishes the base from which reprogramming actions may be taken. It identifies line items within each appropriation covered in the DoD Appropriations Acts, except those appropriations having no budget activity subdivisions in the budget document presentation and transfer accounts.

060302. Due Date

Within 30 days following enactment of the Department of Defense (DoD) Appropriations Act, the Components will submit their DD 1414, Base for Reprogramming Actions to OUSD(C) P&FC to ensure the Department can submit the Base for Reprogramming Actions to the congressional committees within 60 days of enactment as required by recurring general provisions in DoD Appropriations Acts (e.g., section 8007 of Public Law 111-118, the Department of Defense Appropriations Act, 2010). The DoD Components will provide two copies of the DD 1414, Base for Reprogramming Actions, to OUSD(C) P&FC, Room 3C689, for review prior to submission to the congressional committees.

060303. Transmittal

Upon notification from the OUSD(C) P&FC that the advance copy of the Base for Reprogramming Action is acceptable, or after the DoD Components has made any necessary changes, the DoD Components will e-mail a copy, and provided two hard copies of the DD 1414, Base for Reprogramming Actions, to OUSD(C) P&FC. OUSD(C) P&FC will submit to OMB, pursuant to OMB Circular A-11, section 22.3 and after clearance by OMB, DoD Components will provide the original and one copy of the DD 1414 to the OUSD(C) P&FC for printing and transmittal to the congressional committees. Each DoD Component shall provide an index and number the pages within each appropriation account in sequence. Final printed copies will be distributed to the DoD Components.

060304. Security Classification

In order facilitate use by the staffs of the congressional defense oversight committees, the Department will submit an unclassified Report of Programs. Therefore, each Service shall submit an unclassified DD 1414. Each DoD Component will be responsible for proper security review and classification of its DD 1414. All classified programs should be consolidated into a single line item titled Classified Programs and should be displayed at the end of the Direct Program section.

060305. Detailed Instructions for Preparation of the DD 1414

Detailed instructions for the Base for Reprogramming Actions for the initial appropriations act are provided in the appendices to this chapter.

0604 REPROGRAMMING ACTIONS

060401. Reprogramming Actions Requiring Written Congressional Approval

Two types of reprogramming actions will be used to request the prior approval of the congressional defense committees. Both requests are submitted using DD 1415-1, Prior Approval. The first type is for specific requirements. The second type is for the annual Omnibus reprogramming action that was established in Fiscal Year (FY) 1991 to streamline the reprogramming process for the congressional committees and the Department. With the exception of a DD 1415 that uses section 104(d) authority (paragraph 060601C), the USD(C) submits all reprogramming actions to the congressional defense committees. The Department is expressly prohibited from preparing or forwarding to the Congress a prior approval reprogramming action except "for higher priority items, based on unforeseen military requirements, than those for which originally appropriated and in no case where the item for which reprogramming is requested has been denied by the Congress." It is the Department's policy that reprogramming actions which require prior approval of the congressional committees (DD 1415-1) are those which involve the application of funds which:

A. Increase the procurement quantity of a major end item, such as an individual aircraft, missile, naval vessel, tracked combat vehicle, and other weapon or torpedo and related support equipment for which funds are authorized. (In such cases where specific congressional language is provided allowing for additional quantities to be procured within appropriated funds, increases to quantities for major end items shall be submitted to the USD(C) for approval as a DD 1415-3, Internal Reprogramming action.)

B. Affect an item that is known to be or has been designated as a matter of special interest to one or more of the congressional committees. In rare instances, when funds from special interest items are to be reprogrammed from an existing program, subprogram, project, or subproject to another program, subprogram, project, or subproject within the same

procurement line item or program element, letter notification to the congressional committees may be made. Letters shall be submitted to the congressional committees by the DoD Component involved only after advance coordination with the applicable OUSD(C) P/B Directorate.

C. Use general transfer authority. Any movement of funds between appropriations or legal subdivisions requires statutory transfer authority. Unless specific transfer authority is provided elsewhere, general transfer authority, which is provided in annual DoD Appropriations and Authorization Acts, must be used. Any movement of funds from supplemental appropriations also uses the general transfer authority provided in the annual DoD Appropriations Act. Section 2214 of Title 10 of the United States Code (U.S.C.) and the annual Appropriations Act provide limitations on programs for which general transfer authority may be used. Such authority may not be used except to provide funds for a higher priority item, based on unforeseen military requirements, than the items for which funds were originally appropriated, and may not be used if the Congress has denied funds for the item. Exceptions to the use of a DD 1415-1, Prior Approval Reprogramming action, may apply if reclassification of programs to the proper appropriation for execution is required (i.e., these actions do not change the purpose for which the funds were originally appropriated). (See paragraph 060402A).

D. Exceed thresholds agreed upon between the committees. Effective for FY 2010, the basic reprogramming thresholds agreed upon between the committees and the Department are: $10 million for military personnel; $15 million for operation and maintenance; $20 million for procurement; and $10 million for research, development, test, and evaluation. These thresholds are cumulative from the base for reprogramming value as modified by any congressional action, to include the initial appropriation, rescissions, supplemental appropriations, and approved DD 1415 reprogramming action. The BTR limitation is the net value of transfers into or out at the specified level. For example, transfers using Below Threshold Reprogramming (BTR) authority of $5.0 million out of an RDT&E PE line item and transfer of $4.0 million into the same RDT&E PE line item would result in a total amount transferred of $1.0 million, with the consequence that the $1.0 million of BTR authority was used. The thresholds agreed upon between the committees and the Department are as follows:

1. Military Personnel. A cumulative increase of $10 million or more in a budget activity.

2. Operation and Maintenance. A cumulative increase or decrease of $15 million or more in a budget activity or for a Defense Agency. When the congressional committees impose reprogramming thresholds on specific subactivity group categories, these threshold amounts are separately identified on the DD 1414, Base for Reprogramming Actions, and reprogramming restrictions apply. For example for FY 2010, congressional committees imposed reprogramming thresholds on specific subactivity group categories.

a. The committees required the Department to follow PA procedures for transfers in excess of $15.0 million **out** of the following budget sub-activities:

(1) **Army**: Land forces depot maintenance.

(2) **Navy**: Aircraft depot maintenance and ship depot maintenance.

(3) **Marine Corps**: Depot maintenance.

(4) **Air Force**: Air operations depot maintenance; mobility operations depot maintenance; basic skills/training depot maintenance; and logistics operations depot maintenance.

b. Defense-Wide O&M: transfer of funds to or from the levels specified for defense agencies in excess of $15.0 million shall be subject to a PA reprogramming action.

c. For FY 2010, the committees further required the Services, with Comptroller coordination, to provide written notification of cumulative transfers in excess of $15.0 million **out** of the following budget sub-activities:

(1) **Army**: Maneuver units; modular support brigades; land forces operations support; force readiness operations support; base operations support; and facilities, sustainment, restoration, and modernization.

(2) **Navy**: Facilities, sustainment, restoration, and modernization.

(3) **Marine Corps**: Facilities, sustainment, restoration, and modernization.

(4) **Air Force**: Primary combat forces; combat enhancement forces; combat communications; and facilities, sustainment, restoration, and modernization

(5) **Defense-Wide O&M**: cumulative transfers in excess of $15.0 million or 20 percent, whichever is less, out of the following line items identified in the O&M table contained in the conference report. Defense Legal Service Agency; Office of the Secretary of Defense; Acquisition, Technology, and Logistics programs; Personnel and Readiness; Comptroller and Chief Financial Officer; Under Secretary of Defense (Intelligence); Under Secretary of Defense (Policy); Director, Program Analysis and Evaluation; and Assistant Secretary of Defense (Networks and Information Integration). There were no changes to the reprogramming requirements for the Defense Health Program.

d. The above requirements were set forth in reprogramming guidelines in the explanatory statement accompanying the DoD Appropriations Act, 2000 and are subject to change in conference reports accompanying future appropriatons acts.

3. Procurement. A procurement program is defined by the items included in the DD 1414, Base for Reprogramming Actions.

a. Increases. A cumulative increase of $20 million or more or 20 percent of the program base amount, which includes the initial appropriation, rescissions, supplemental appropriations, and approved DD 1415 reprogrammings (i.e., cumulative over the entire obligational availability of a specific year appropriation), whichever is less.

b. Decreases. A cumulative decreases of $20 million or more, or 20 percent of the program base amount, which includes the initial appropriation, rescissions, supplemental appropriations, and approved DD 1415 reprogramming (i.e., cumulative over the entire obligational availability of a specific year appropriation), whichever is less.

4. Research, Development, Test, and Evaluation (RDT&E). A research program is defined by the items included in the DD 1414, Base for Reprogramming Actions.

a. Increases. A cumulative increases of $10 million or more or 20 percent of the program base amount, which includes the initial appropriation, rescissions, supplemental appropriations, and approved DD 1415 reprogramming (i.e., cumulative over the entire obligational availability of a specific year appropriation), whichever is less.

b. Decreases. A cumulative decreases of $10 million or more, or 20 percent of the program base amount, which includes the initial appropriation, rescissions, supplemental appropriations, and approved DD 1415 reprogramming (i.e., cumulative over the entire obligational availability of a specific year appropriation), whichever is less.

E. Initiates a new start. A new start program for RDT&E is a new program element or project, or a major component thereof, as determined by specific supporting information provided in the R-2 and R2A (RDT&E Budget Item/Project Justification) exhibits not previously justified by the Department and funded by the Congress through the normal budget process is considered to be a new start. A new start program for Procurement is a new procurement line item or major component thereof, as determined by specific supporting information provided in the P-5 (Cost Analyst) or P40A (Budget Items Just for Aggregated Items) exhibits not previously justified. Congressional committees discourage the use of the reprogramming process to initiate programs. Except for extraordinary situations, consideration will not be given new start reprogramming requests for which the follow-on funding is not budgeted or programmed. Funding for new starts may not be obligated without prior approval or written notification (see paragraphs 060403 and 060404). A program effort in one year in the Procurement and RDT&E accounts may be extended into a subsequent fiscal year without constituting a new start. This is considered an extension of the effort initiated in the prior year program, and could include a skip year for execution purposes. When this occurs, the program should be footnoted as such on the DD 1416, Report of Programs, with sufficient justification for the extension. Due to the characteristics of Military Personnel and Operation and Maintenance programs, new starts seldom occur in those appropriations. New starts in these appropriations

would be significant new programs, efforts, or activities that have not been explicitly justified to the Congress in budget justification material. An example would be the establishment of a Pacific Distribution System. In some instances, a letter notification may be appropriate in these circumstances but only with the explicit approval of the USD(C). A prior approval (DD 1415-1) is required if the action involves the following:

The DD 1415-1 should include a brief description of the total program being initiated, total program costs, proposed funding and procurement quantities by year, enough background information to demonstrate that the item is ready for research or procurement and an explanation of how subsequent years' funding will be provided, if the budget line is not included in the budget. The Department will not approve new starts that do not have budgeted or programmed follow-on funding. The DD 1415-1 should also explain why the source funds are no longer needed and any impact. See paragraph 060404 for failure to provide proper notification.

F. Terminates Appropriated Programs:

1. Eliminates a procurement program, or a subprogram, of $20 million or more.

2. Eliminates an RDT&E program element, project, or subproject of $10 million or more.

See paragraph 060403D for terminations falling within below-threshold limits.

060402. Internal Reprogramming Actions

DD 1415-3, Internal Reprogramming, actions are audit-trail type actions processed within the Department to serve various needs. One is to reclassify funds for proper execution into a different line item, program element, or appropriation than that in which the funds were appropriated. Another includes reprogramming to or from transfer accounts. A third reflects approval to increase quantities, when not otherwise requiring prior approval of the congressional committees.

A. Reclassification Actions. In certain instances, it is necessary to reclassify funds to a different line item, program element, or appropriation than that in which the funds were appropriated by the Congress. Such reclassifications do not involve any change in the substance of the program; the funds will be used for the same purposes originally contemplated and budgeted for, testified to, and described in the justifications submitted to the congressional committees, and subsequently appropriated by the Congress. These actions may also involve realignment of congressionally added programs that are more appropriately executed in a different program line or in a different account than the line or account in which the funds were appropriated. In cases where the realignment is between DoD appropriations, then the use of general transfer authority would be involved, along with the legal requirements thereof.

B. Transfer Appropriations. Transfer accounts are those appropriations with funding that will be subsequently transferred to other appropriations for execution. These accounts include, but are not limited to: Environmental Restoration, Army; Environmental Restoration, Navy; Environmental Restoration, Air Force; Environmental Restoration, Defense-Wide; Environmental Restoration, Formerly Used Defense Sites, Drug Interdiction and Counter-Drug Activities, Defense; Overseas Contingency Operations Transfer Fund; Foreign Currency Fluctuations, Defense; and Foreign Currency Fluctuations, Construction, Defense. Movement of funds from these accounts to other appropriations is generally exempt from the use of general transfer authority.

C. Procurement Quantities. Approval for increases to procurement quantities for major end items, not otherwise requiring prior approval of the congressional committees.

060403. Letter Notifications

Letter notification to the congressional committees is required in advance of initiating requirements for:

A. A new procurement line item not otherwise requiring prior approval action.

B. A new procurement line item or major component thereof costing less than $20 million for the entire effort.

C. Establishes new development programs costing less than $10 million for the entire effort.

D. Initiate safety programs or safety modifications costing less than $20 million for the entire effort; can be initiated immediately following congressional notification.

E. Terminate programs falling within the below threshold reprogramming amounts (procurement programs or subprograms costing less than $20 million; RDT&E programs, projects, or subprojects costing less than $10 million) as long as the procurement line item or RDT&E program element is not eliminated.

F. Identify specific line items to satisfy specific transfer notification requirements.

G. Requires a 30-day notification to the Defense Committees prior to implementation. The Component may implement the reprogramming action 30-days after congressional notification unless an objection is received from a committee.

060404. Failure to Provide Proper Notification

Recurring general provisions in DoD Appropriations Acts (e.g., section 8080 of Public Law 111-118, the Department of Defense Appropriations Act, 2010) prohibit use of funds made available through a reprogramming that creates or initiates a new program, project, or activity unless such program, project, or activity must be undertaken immediately in the interest of national security and only after written prior notification to the congressional defense committees.

060405. Transfer Authority

Any movement of funds between appropriations or legal subdivisions requires transfer authority. There are at least five types of transfer authority:

A. Transfer Appropriations. Authority for Transfer Fund appropriations is contained in the annual DoD Appropriations Act.

B. Foreign Currency Fluctuations. Authority for the Foreign Currency Fluctuations, Defense, appropriation is contained in Public Law 95-457 (92 Stat. 1236) and section 2779 of Title 10 of the U.S.C. Authority for the Foreign Currency Fluctuations, Construction, Defense, appropriation is contained in section 121 of Public Law 99-591, section 2779 of Title 10, U.S.C., and the annual Military Construction Appropriations Act.

C. General Transfer Authority (GTA). GTA is required for transfers between appropriations and legal subdivisions, when other specific authority is not provided. It is included in a general provision in the annual DoD Appropriations Act and is authorized in the annual National Defense Authorization Act. When GTA is used, the Secretary of Defense must make a determination that such action is necessary in the national interest. OMB must also approve the use of GTA. For prior approval reprogramming actions that use GTA, OMB must approve transmittal of the action before forwarding it to the congressional defense committees. OMB apportions funds that use GTA after congressional approval is received for prior approval actions and after the reprogramming has been signed for internal reprogramming actions. Beginning with the DoD Appropriations Act, 2009, recurring general provisions have incorporated into law the funding levels specified in certain tabular entries in appropriations act explanatory statements or conference reports (e.g., section 8006 of Public Law 110-329, Division C). Such recurring general provisions provide that where funding levels specified in Project Level Adjustment Tables for a particular program, project, or activity exceed the amount requested, that program, project, or activity must be carried out at the prescribed level. Amounts specified in such project level adjustment tables **are not** subdivisions of appropriations for purposes of GTA, and may be transferred or reprogrammed.

D. Intelligence Programs. Authority for transfers in intelligence programs is specified in paragraph 060601.

E. Special. Additional transfer authority for special situations is contained in various sections of Title 10 of the U.S.C. and in annual National Defense Authorization and Appropriations Acts. Section 127a of Title 10, U.S.C., provides limited transfer authority in the case of certain operations. Use of this transfer authority requires the use of prior approval reprogramming procedures.

060406. Detailed Instructions and Formats for Preparation of DD 1415

Detailed instructions for DD 1415-1 and DD 1415-3 are provided in the appendices to this chapter. Templates are available by contacting the OUSD(C) P&FC reprogramming point of contact at 703-697-0021 (DSN 227-0021).

060407. Submittal by Components

Military Departments must submit proposed DD 1415 actions formally by memorandum addressed to the USD(C), electronically and all requests are due the 5th work day of the month from the Assistant Secretary (Financial Management and Comptroller) of the Military Department. Requests from a Defense Agency should be signed by its Comptroller (or equivalent official). When a prior approval reprogramming for investment programs is required to initiate a new start (paragraph 060401E) or to terminate a program (060401F), a copy should also be provided to the Office of the Secretary of Defense (Comptroller) and the Office of Under Secretary of Defense for Acquisition, Technology and Logistics; Director, Acquisition Resources & Analysis. For all reprogramming actions, the DD 1415 must be e-mailed to OUSD(C) P&FC, to include a copy of the security review approval. If the request includes National Intelligence Program (NIP), Military Intelligence (MIP), or classified programs, the classified details must be provided at the same time in an electronic submission to OUSD(C) via the SPIRNET. The OUSD(C) will ensure that proposed reprogramming actions affecting the NIP and MIP resources are provided to the Office of the Director for National Intelligence (ODNI). The DoD Component memorandum shall include the following:

A. Reprogramming actions outside the Omnibus process, before or after the submission of the Omnibus reprogramming to the congressional committees, will only be made for those actions involving critical requirements or unforeseen circumstances that cannot wait for implementation of the Omnibus due to contract award dates or other time sensitive reasons. In these cases, individual reprogramming actions will be entertained, and the transmittal memorandum must clearly define the urgency of the requirement.

B. A statement that the DD 1415–1 Prior Approval reprogramming action has been cleared by the DoD Directorate for Freedom of Information and Security Review, Washington Headquarters Services. The copy with the original “Cleared for Open Publication” stamp should accompany the transmittal memorandum.

C. Because the DD 1415 actions are now being posted on the Comptroller's Home Page on the World Wide Web, the DD 1415 reprogramming action should not refer to or identify the intelligence resources. Therefore, the cover letter transmitting the DD 1415 to the OUSD(C) must contain a statement that the reprogramming does or does not affect MIP or NIP resources. If NIP resources are affected, the reprogramming should be cleared with the ODNI, and the cover letter should state that this has been done.

D. Identification of any new starts being requested, and whether the new starts were approved by PBD or other action.

060408. Signed DD 1415s

The USD(C) has authority to sign all reprogramming actions, and upon signature the reprogrammings are returned to OUSD(C) P&FC for further processing. A DoD Serial Number, in sequence, will be added to the signed DD 1415.

060409. OMB Approval

Any reprogramming action using general transfer authority must have a Secretary of Defense Determination documenting that the transfer is necessary in the national interest. The authority to make that determination has been delegated to the OUSD(C), Deputy Comptroller, Program/Budget. For prior approval reprogramming actions using general transfer authority, OMB must also approve the transmittal of the DD 1415-1 before forwarding the action to the congressional defense committees. The OUSD(C) shall obtain formal OMB apportionment for the specific transfer of funds after congressional responses on the action are received and final results on implementation of the action are determined.

060410. Distribution of the DD 1415-1

The DD 1415-1 is e-mailed to the House Appropriations Committee (HAC), House Armed Services Committee (HASC), Senate Appropriations Committee (SAC), and Senate Armed Services Committee (SASC). A copy of the DD 1415 and the transmittal date will be e-mailed to the submitting DoD Component. After being notified that the DD 1415 has been submitted to the congressional committees, the DoD Component will ensure that the congressional committees receive any classified information that is to be submitted under separate cover.

060411. Congressional Committee Approval of DD 1415 Requests

A. Approval for a Prior Approval Reprogramming Action (DD 1415-1) is obtained by letter from the congressional committees prior to implementation of the action. Each separate committee response is taken into account, and final implementation by OUSD(C) P&FC of the action reflects the lowest of the approvals received for proposed sources and increases. Occasionally the action is implemented for less than originally requested due to the denial of increases or sources.

B. As copies of the congressional committee approval letters are received, e-mail notification will be made to the applicable DoD Components and OUSD(C), Deputy Comptroller, Program/Budget appropriation managers. When the final committee approval has been received, an OUSD(C) P&FC implementation memorandum will be prepared. The implementing letter will attach copies of the approved DD 1415, data sheets, Secretary of Defense Determination, and committee letters, as applicable.

C. No reprogramming request will be approved if the funds requested have been obligated or committed prior to congressional committee review and approval. The obligation of funds prior to consideration by the congressional defense committees denies them a realistic option to deny the request. Such a procedure places the committee(s) in the position of having to approve the request or deny all funds for the continuation of the program in the latter part of the fiscal year. Also, funds that have already been identified for a below-threshold reprogramming should not be incorporated into the DD 1415 unless the funds have not yet been obligated on the new requirement. (If this occurs, the funds cannot be obligated until congressional approval is received).

D. Reprogramming hearings, questions, and transcripts will be handled by each Component involved, unless there is an OSD principal witness.

E. If the congressional committees have denied a reprogramming increase, DoD policy prohibits use of a series of below-threshold reprogramming actions as a means to finance the requested increase. However, below-threshold reprogramming authority may be used to finance increases on reprogramming actions that were approved by the congressional committees, but were not able to be accommodated within the implementation process, as long as the below-threshold reprogramming actions otherwise do not exceed a threshold limitation, affect an item of special congressional interest, or have not been specifically denied by a congressional committee as a reprogramming source. This policy has evolved out of recognition of there being congressionally-approved increases within the Omnibus reprogramming action that were unable to be funded in the USD(C) implementation memorandum, due to a lack of congressionally-approved sources. However, in recent years, the congressional defense committees have requested advance notification before using below-threshold reprogramming to implement approved sources.

060412. Implementation Memorandums for Reprogramming Actions.

A. After all approvals have been obtained for a reprogramming action, a memorandum signed by the Director for Program and Financial Control will be provided to the applicable Components.

B. If the reprogramming action includes an appropriation transfer, the implementing memorandum will include instructions (data sheet) for processing the SF 1151, Nonexpenditure Transfer Authorization, and include a copy of the combined Secretary of Defense Determination and OMB Approval document approving the transfer.

C. Along with normal distribution, the implementation memorandum will be e-mailed to the applicable DoD Component and to the appropriate OUSD(C), Deputy Comptroller, Program/Budget appropriation manager(s), so that funds may be released.

060413. Alternate Letters or Revised Actions for New Sources

A. Reprogramming actions may be submitted prior to or after the Omnibus Reprogramming Action. When sources are denied by a congressional committee, new sources to fund the requested increase may be submitted in DD 1415 format or letter format. Except in the most unusual circumstances, alternate sources for items denied in the Omnibus Reprogramming Action will not be submitted to the congressional committees.

B. Revised actions or letters for the signature of the USD(C) should be prepared by the submitting DoD Component. Normal reprogramming procedures apply for processing the revised actions or letters to the congressional committees.

C. The committees have asked that the same data that is furnished with the original submission be provided when identifying a new source of funds.

060414. Appeal to Congressional Committees

The USD(C) may appeal the decision of a committee on a reprogramming action. All proposed appeals to committees initiated by a DoD Component shall be forwarded by memorandum to the USD(C) for further processing within the Department. Any action on a reprogramming subsequent to its original submission to the committees is subject to the same procedures as the original reprogramming.

060415. Withdrawal of Reprogramming Actions

A. When approval of a reprogramming action that was submitted to the congressional committees, but not fully approved, is no longer required, then that action should be formally withdrawn from congressional committee consideration. The need for withdrawal may result when too much time has elapsed for the proposed increase to go under contract or when proposed sources are needed to fund a higher priority reprogramming than that originally submitted.

B. Withdrawal letters for the signature of the USD(C) should be prepared by the submitting DoD Component. Normal reprogramming procedures apply for processing the letters to the congressional committees.

C. Sufficient rationale on the reason for withdrawal should be provided to the congressional committees so they will not question why the action was originally submitted for their approval. If one or more committees have already approved the action, letters should be written to those committees expressing appreciation for their approval.

0605 DD 1416, REPORT OF PROGRAMS

060501. General

The DD 1416, Report of Programs, reflects the congressionally approved programs as enacted, supplemental funding, rescissions, implemented reprogramming actions, congressionally directed undistributed amounts and transfers, and below-threshold reprogramming actions that are implemented by a DoD Component. The amounts on the DD 1416 for column should be identical to the amounts on the DD 1002, Appropriation Status by Fiscal Year Program and Subaccounts, column b (column d for Active Operation and Maintenance appropriations) for comparable "as of dates" and stub entries. Amounts should only deviate when reconcilable differences exist due to posting errors in the DD 1002.

060502. Due Date

The DD 1416, Report of Programs is submitted quarterly 30-days after the end of each quarter for Title III, Procurement and Title IV, Research, Development, Test, and Evaluation and will include all implemented reprogramming actions through that date, together with below-threshold reprogrammings made by the DoD Components through that date. The due dates for these reports shall be approximately 30-days after the end of each quarter. The DoD Components will e-mail an electronic Microsoft spreadsheet of the quarterly DD 1416, Report of Programs, to OUSD(C) P&FC.

060503. Procurement Line Items "Items Less Than $5 million

"For programs that are included in an "Items Less Than $5 Million" line item, the program or cost growth will be accommodated within the below-threshold authority for the total line item value. The amount of growth to an individual program or to the aggregate line item total cannot exceed $9.999 million.

060504. Program Base Columns Reflecting Congressional Action

Changes due to supplemental appropriations and rescissions will be shown in a separate column from the basic Appropriations Act. Additionally, general provision reductions that are to be proportionately allocated to "each program, project, and activity" within each applicable appropriation account will be reflected in this column. The combination of the "Program Base Reflecting Basic Congressional Action" and "Program Base Adjustments Reflecting Enacted Supplementals and Rescissions" columns shall be used for determining how much of the procurement and RDT&E appropriations can be decreased based on percentages when determining the amount that can be reprogrammed using below-threshold authority.

060505. Detailed Instructions for Preparation

Reimbursable program or order amounts are not required unless reimbursable funding was used for the direct program. Detailed instructions for the DD 1416 are provided in the appendix to this chapter.

*0606 REPROGRAMMING OF INTELLIGENCE RESOURCES

060601. Intelligence Reprogramming Guidance

A. National Intelligence Program (NIP): Section 102A of the National Security Act of 1947 (50 U.S.C. 403-1) authorizes the Director of National Intelligence (DNI) to transfer or reprogram funds appropriated for a program within the National Intelligence Program (NIP) to another NIP program. No NIP funds may be transferred or reprogrammed without the prior approval of the DNI, except in accordance with procedures prescribed by the DNI. For initiating and processing reprogrammings involving the NIP, use applicable guidance issued by the Office of the Director of National Intelligence (ODNI) Chief Financial Officer.

B. Military Intelligence Program (MIP): Reprogramming requirements set forth in section 0604 apply to reprogramming MIP intelligence resources.. Further policies specific to MIP below-threshold reprogrammings are set forth in DoD Directive 5205.12, Military Intelligence Program (MIP), enclosure 2, pargraph 1.i.

*060602. Oversight

The House Permanent Select Committee on Intelligence (HPSCI) and the Senate Select Committee on Intelligence (SSCI) have oversight jurisdiction over the NIP. NIP reprogrammings require prior approval from the HPSCI, SSCI, House Appropriations Committee (HAC), and Senate Appropriations Committee (SAC). Reprogrammings affecting the MIP require prior approval from the HPSCI, House Armed Services Committee (HASC), Senate Armed Services Committee (SASC), HAC, and SAC. Notwithstanding that per agreements among the various congressional committees the SSCI has jurisdiction over the NIP only, the Department does provide the SSCI an information copy of reprogramming of non-intelligence funds into the MIP in satisfaction of section 504 of the National Security Act of 1947 (50 U.S.C. §.414).

060603. Submission Procedures

In addition to applicable section 0604 procedures, including indication within cover letters whether MIP or NIP resources are affected, the following additional requirements apply to intelligence resource reprogrammings:

A. Because DD 1415 reprogramming actions are posted on the Internet, the DD 1415 should not refer to or identify specific intelligence programs or resources.

B. All classified reprogramming requests must be coordinated with the Directorate for Investment. Components are required to clearly identify classified actions as part of their reprogramming submission. Concurrent with their reprogramming request submission, Components are to separately provide; the classified details in electronic format to the appropriate Comptroller POCs.

060604. Procedures

The same procedures apply to reprogramming intelligence resources as provided in paragraph 0604 with the following exception. For processing reprogrammings involving the NIP, contact the Office of the Director of National Intelligence (ODNI) for specific guidance. Because DD 1415 reprogramming actions are now being posted on the Internet, the DD 1415 should not refer to or identify specific intelligence programs or resources. Cover letters transmitting proposed DD 1415s to the OUSD(C) should contain a statement that the reprogramming does or does not affect NIP/MIP resources.

060605. Below-Threshold Reprogrammings

For processing below-threshold reprogrammings involving the NIP, contact the Office of the Director of National Intelligence (ODNI) for specific guidance.

0607 REPROGRAMMING OF SPECIAL ACCESS PROGRAMS

060701. Provision in Law

The annual DoD Appropriations Act states: "Funds appropriated by this Act may not be used to initiate a special access program without prior notification 30 calendar days in session in advance to the congressional defense committees."

060702. General

For other than reprogrammings of new starts as stated in paragraph 060701, normal reprogramming procedures as described in this chapter apply to special access programs.

0608 BELOW-THRESHOLD REPROGRAMMING ACTIONS

060801. Purpose

Below-threshold reprogramming actions provide DoD Components with the discretionary flexibility to realign, within prescribed limits, congressionally approved funding to satisfy unforeseen, higher priority requirements. As with DD 1415 reprogrammings, below-threshold actions must net to zero.

060802. Guidelines

A. Below-threshold reprogramming actions are minor actions not otherwise requiring congressional approval that may be accomplished within the DoD Components and are measured cumulatively over the entire obligation availability of the appropriation. Reprogramming thresholds apply to increases and decreases made to line items in the Procurement and RDT&E accounts. Below-threshold amounts for the Military Personnel are measured by increases only, and Operation and Maintenance accounts are measured by increases and decreases. When the congressional committees impose reprogramming thresholds

on specific subactivity group categories, these threshold amounts are separately identified on the DD 1414, Base for Reprogramming Actions, and reprogramming restrictions apply. Any action, when combined with other below-threshold reprogramming actions for the same budget activity, line item or program element, must not exceed the established threshold in total, except when thresholds are exceeded due to the provisions of 31 U.S.C. 1551 et seq.

B. Threshold amounts agreed upon among the committees and the Department are contained in paragraph 060401D. New start programs cannot be initiated using below-threshold authority (see paragraphs 060401E and 060404).

C. Normal reprogramming thresholds will not apply based on 31 U.S.C. 1551 et seq. when currently available appropriations are used to fund obligations or adjustments to obligations which would otherwise have been funded from a canceled account before it was canceled. Within an appropriation, reprogramming thresholds may be exceeded in currently available appropriations for increases or sources used to finance the "Canceled Account Adjustments" line item. If reprogramming thresholds are exceeded for increases or sources to finance these obligations or adjustments to obligations, then column "k," "Below-Threshold Actions not Requiring Approval by the SECDEF or Committees" of the DD 1416 should be footnoted to indicate that the threshold amount has been exceeded due to canceled account adjustments.

D. If the congressional committees have denied a reprogramming increase, DoD policy prohibits the use of a series of below-threshold reprogramming actions to finance the requested increase. However, below-threshold reprogramming actions that preceded the congressional denial will be recognized as valid.

E. Below-threshold reprogramming authority may be used to finance increases on reprogramming actions that were approved by the congressional committees, but were not able to be accommodated within the implementation process, as long as the below-threshold reprogramming actions otherwise do not exceed the cumulative dollar threshold, do not affect an item of special congressional interest, or have not been specifically denied by a congressional committee as a reprogramming source. This policy has evolved out of recognition of there being congressionally-approved increases within the Omnibus reprogramming action that were unable to be funded in the USD(C) implementation memorandum, due to a lack of congressionally-approved sources. However, in recent years, the congressional defense committees have requested advance notification before using below-threshold reprogramming to implement approved sources.

F. The below-threshold authority computation starts with the quantity of end items and amount of funds appropriated to a specific line item by the Congress. These baseline amounts are reflected in columns h and i on the DD Form 1414, Base for Reprogramming Actions; in columns b and c on the DD Form 1416, Report of Programs; and in columns b and c on all versions of the DD Forms 1415, Reprogramming Action. The baseline is changed by supplemental appropriations, rescissions, directed general provisions reductions, and approved DD 1415 reprogramming actions, which are reflected in columns d and e of the DD 1416. The net amounts of the appropriated amounts and the supplemental appropriations, rescissions,

directed general provisions reductions, and approved DD 1415 reprogramming actions are reflected in columns b and c on all versions of the DD 1415. The first DD 1415 for a particular line item will reflect the same baseline amounts in columns b/c and d/e. Subsequent DD 1415s for a particular line item will retain the same baseline amount in columns b/c and d/e (unless a supplemental or rescission or an approved DD 1415 has been passed in the interim). Columns d and e and d and e will then be the same as columns h/i on the previous DD 1415, as amended by supplemental appropriations and rescissions, and approved DD 1415. Exceptions to this occur when more than one DD 1415 is processed simultaneously, or when the previous DD 1415 was implemented at a different level than was originally approved (Omnibus, for example).

0609 REPLACEMENT OF ITEMS SOLD FROM INVENTORY

060901. Policy

The current budget policy requires that reimbursements generally cannot be used to replace end items sold from inventory if the replacement end item is not the identical type, model, and series designation unless a reprogramming action is approved by the congressional committees.

060902. Guidelines

A. The requirement for a reprogramming action for small dollar value end items where replacements vary only to a minor extent from the item sold has resulted in unnecessary paperwork and serves no substantive purpose. Replacement of items sold from inventory with a unit cost of less that $5,000 will be treated as a replacement-in-kind (RIK) if an improved model of the same end item is being procured, performs the same warfighting capability, and the inventory objective presented to the Congress is not exceeded. Items satisfying all of these criteria will be financed with the reimbursable proceeds of the sale of the end items issued from inventory without processing a DD 1415 reprogramming action. The amount applied toward the RIK may not be increased beyond the proceeds of that sale.

B. The requirement for a reprogramming action exists when an item of materiel is sold which will require replacement to compensate DoD inventories for the resultant loss of capability or readiness and the replacement item will not be identical to the item sold. It must, however, be a later series of “mod” designation of the same basic model (e.g., sale of a C-130A aircraft and purchase of a C-130E) or an acceptable substitute item used against the same inventory objective or authorized acquisition objective in requirements computations (e.g., sale of an M-48 tank and purchase of an M-60 tank). In this situation, the reimbursement from the sale will be included under reimbursable financing, but the buyback of the replacement items must be shown as direct program financing.

0610 REPROGRAMMING POLICY FOR CLOSING APPROPRIATION ACCOUNTS (31 U.S.C. 1551 et seq)

061001. Definitions of Contract Changes for Reprogramming Purposes

For purposes of this reprogramming policy guidance, adjustments to amounts initially obligated in accounts that now are expired are categorized either as within-scope or change-in-scope contract changes. Within-scope changes generally are funded from the appropriation that originally financed the contract until cancellation. Change-in-scope contract changes are financed from appropriations currently available for obligation at the time the change is made. Specific guidelines for determining scope of work changes are defined in Chapter 8.

061002. Use of Currently Available Appropriations to Fund Out-Of-Scope Contract Changes

A. Normal applicable reprogramming (DD 1415) procedures and thresholds will apply when currently available appropriations are used to fund out-of-scope contract changes.

B. Out-of-scope contract changes funded from currently available appropriations will be funded from, and reflected against, the current corresponding line item, program element or program applicable, or comparable, to the program for which the contract change is being made.

C. If an applicable corresponding program no longer exists in the currently available appropriation for the program for which the out-of-scope contract change is being made, a new line item for the program in question will be created to reflect the contract change adjustment. Reprogramming threshold procedures for newly created line items will be the same as for the creation of any other new line item.

D. Any line item or program can be the funding source for contract changes funded from currently available funds. However, the funding source line item or program will also be subject to normal reprogramming thresholds.

061003. Use of Currently Available Appropriations to Fund Obligations or Adjustments to Obligations that Otherwise Would Have Been Funded from a Canceled Appropriation Account

A. Obligations and adjustments to obligations that would have been properly chargeable to a closed account, both as to purpose and amount, shall be charged to an appropriation currently available for the same purpose. Specific limitations are as follows:

1. The sum of all such amounts funded from currently available appropriations shall not exceed the lower of (a) one percent of the originally appropriated amount of the current appropriation being charged or (b) the current unexpended balance of the canceled appropriation account.

2. For the purpose described in paragraph 1, the unexpended balance is the sum of the unobligated balance plus the unliquidated obligated balance of the appropriation account at the time it was canceled, less any and all obligations incurred and payments made subsequent to the cancellation of the original appropriation account when such obligations and payments would otherwise have been properly charged to the appropriation had the appropriation not been canceled.

B. Normal reprogramming procedures (DD 1415) and thresholds will not apply when currently available appropriations are used to fund obligations or adjustments to obligations which would otherwise have been funded from a canceled appropriation account before it was canceled.

C. Charges to currently available appropriations for obligations or adjustments to obligations that would otherwise have been charged to canceled appropriation accounts shall be reflected in a line item on the Report of Programs (DD 1416) entitled "Canceled Appropriation Account Adjustments."

1. Within an appropriation, reprogramming thresholds may be exceeded in currently available appropriations for increases or sources used to finance the "Canceled Appropriation Account Adjustments" line item.

2. If reprogramming thresholds are exceeded for increases or sources to finance these obligations or adjustments to obligations, column k, Changes not Requiring Approval by Secretary of Defense, of the DD 1416 should be footnoted to indicate that the threshold amount has been exceeded due to canceled appropriation account adjustments.

3. The new line, "Canceled Appropriation Account Adjustments," will be a separate line item or program element and added as an entry within a single budget activity. For all appropriation accounts that do not display line item detail, a memo line shall be shown under any single budget activity.

061004. Use of Expired Appropriations to Fund Contract Changes

A. An expired appropriation remains available for recording, adjusting and liquidating obligations properly chargeable to that appropriation until the appropriation is closed under 31 U.S.C. 1552. Accordingly, an expired appropriation may be used to fund within-scope contract changes properly chargeable to that appropriation in accordance with Chapter 8. When properly chargeable obligations are posted against a line item, funding must be available in that program. If funding is not available on that program, but funding is available within the appropriation, a funding realignment between programs in that appropriation must be accomplished.

B. Expired Operation and Maintenance, Navy appropriations may be used to fund certain payments required because of changes in scope of work in connection with ship overhaul, maintenance, and repair work under 10 U.S.C. 7313.

C. For purposes of the Shipbuilding and Conversion, Navy, (SCN) appropriation, appropriation language normally provides for additional obligations to be incurred after the 5 years of obligation availability, for engineering services, tests, evaluations, and other such budgeted work that must be performed in the final stage of ship construction. The period of availability of the SCN appropriation is adjusted prior to being canceled based on the schedule of work being performed.

0611 NATIONAL GUARD AND RESERVE EQUIPMENT APPROPRIATION NOTIFICATION PROCEDURES

061101. General

In the National Guard and Reserve Equipment Appropriation (NGREA), the Congress typically appropriates funding in lump-sum amounts to be used for aircraft and miscellaneous equipment, and requests submission of a detailed assessment of modernization priorities by each of the Reserve Component (RC) Chiefs. The Assistant Secretary of Defense (Reserve Affairs) (ASD(RA)) forwards the RC acquisition plans to the congressional committees, along with a consolidated equipment requirements list for all Reserve Components, called the Summary NGREA Acquisition Report.

061102. Procedures for Revisions to the Summary NGREA Acquisition Report

A. Procurement of any item not included in the Summary NGREA Acquisition Report for allocation of the funds appropriated in lump-sum amounts for aircraft and miscellaneous equipment cannot be initiated by a Component until the proper notification to the congressional committees is made.

B. Letters requesting a change to the initial report should be submitted by the cognizant Military Department Assistant Secretary (Financial Management and Comptroller) for the respective Reserve Component requiring a change from the initial allocation directly to the ASD(RA). The ASD(RA) shall obtain coordination from OUSD(C) P/B and transmit letters to the congressional committees.

C. Consistent with other procedures in place for letter notifications pertaining to new starts (section 060403), the following procedures shall apply.

1. Notification of the House and Senate Appropriations Committees and the House and Senate Armed Services Committees is followed by a 30-day automatic hold.

2. The DoD Component may implement the reprogramming 30 calendar days after receipt by these committees unless notification to the contrary is received from a committee.

0612 READINESS TRANSFER REPORT

061201. Purpose

A. This chapter provides instructions applicable to preparation and submission of the Readiness Transfer Report (RTR). Section 483 (attachment B) of Title 10 U.S.C. requires the Department to submit a mid-year and end of year report to Congress.

B. The following appropriations and accounts are covered in the scope of the subsections of the Readiness Transfer Report:

Operation and Maintenance appropriations in the Subactivity Groups (SAGs) listed in Appendix B to this chapter unless adjusted by the congress.

061202. Preparation of Material

The RTR report must:

A. Reflect the official DD COMP (M) 1002 Report as of March 31 for midyear and September 30 for end of year as applicable;

B. Use the formal definition of fact-of-life adjustments (Emergent Requirements and Functional Transfers) published in the latest update of the FMR (DoD 7000.14-R, Volume 2A, Chapter 3). Do not cite “Technical Adjustment”;

C. Identify the sources of transferred funds by Subactivity Group (SAG); use the full SAG title.

D. Identify the recipients of the funds transferred out of that SAG;

E. Explanations should be sufficient for a non-program specific analyst to understand the purpose and priority of the transfer;

F. Include detailed explanations of the changes indicated on the format;

G. Spell out all acronyms the first time they are used;

H. Ensure sections titled "Transfer from Counter Drug", "Transfer from Foreign Currency Fluctuations, Defense Account", "Other Approved Reprogrammings", and "Fact-of-Life Adjustments (BTR)" are consistent with the applicable Operation and Maintenance Quarterly Execution Report

061203. References

Volume 2A Chapter 1 provides general funding policies and Chapter 3 provides specific policies related to Operation and Maintenance costs. (See Volume 2A, Chapter 1 – 3)

061204. Readiness Transfer Report Format

The format for this report is provided in Appendix B of this chapter and reflects guidance presented in previous sections of this chapter. Unless modified in a data call, this format should be adhered to.

0613 OPERATION AND MAINTENANCE QUARTERLY EXECUTION REPORT

061301. Purpose

This chapter provides instructions applicable to preparation and submission of the Operation and Maintenance (O&M) Quarterly Execution Report. Congress requires the Department to provide the congressional defense committees with quarterly budget execution data for each of the active, guard, reserve, and defense-wide O&M accounts. Title 10, U.S. Code, section 228, requires quarterly reports on the allocation of funds within operation and maintenance budget subactivities. The Operation and Maintenance Quarterly Execution Report satisfies both reporting requirements.

061302. Submission Requirements

The Military Departments submit their reports to the Office of the Under Secretary of Defense, Comptroller (OUSD(C)), Operations Directorate twenty days after the end of each quarter. The Defense Wide O&M Report is prepared by OUSD(C), Operations Directorate. The template provided in an appendix to this chapter displays the format for the Report.

061303. Preparation of Material

The O&M Execution Report must:

A. Reflect the official DD COMP (M) 1002 Report as of the last day of the reporting quarter;

B. Explain any deviations from official budget data and accounting execution report data.

C. Control funds at the SAG level to prevent reflecting obligations in excess of program in the official DD COMP (M) 1002 Report; and

D. Avoid exceeding SAG thresholds for prior approval reprogrammings as set by Congress.

061304. References

Volume 2A Chapter 1 provides general funding policies and Chapter 3 provides specific policies related to Operation and Maintenance costs. (See Volume 2A, Chapter 1 – 3)

061305. Operation and Maintenance Quarterly Execution Report Exhibit

A. The O&M Report contains the following column data as displayed on the format presented in Appendix C to this chapter. Unless modified in a data call, this format should be adhered to.

1. Appropriation: Use this column to identify the component's O&M Account and display as follows:

a. Army O&M (Active/Reserve/Guard)

b. Navy O&M (Active/Reserve)

c. Marine Corps O&M (Active/Reserve)

d. Air Force O&M (Active/Reserve/Air Guard)

e. Defense-Wide (D-W) O&M

2. Budget Activity (BA): Use this column to identify the applicable Budget Activities such as:

a. Operating Forces

b. Mobilization

c. Training and Recruiting

d. Administrative and Service-Wide Activities

e. Defense Agency and Budget Activity (Defense Wide)

3. Activity Group (AG): Use this column to display the activity groups.

4. Sub-Activity Group (SAG): Use this column to display the subactivity group (SAG) title.

5. President's Budget Request Column: This column must match the current fiscal year budget request, by SAG, in the Conference Report for the Department of Defense Appropriations and match the appropriate column in the Base for Reprogramming Actions (DD 1414).

6. Appropriation Column: This column must match the current fiscal year appropriation, by SAG, in the Conference Report for the Department of Defense Appropriations and match the appropriate column in the Base for Reprogramming Actions (DD 1414).

7. Distribution of Unallocated Congressional Adjustments: This column should reflect the distribution of unallocated congressional adjustments found in the Conference Report for the Department of Defense Appropriations.

8. Adjustments Required by Statute: The total for the Adjustments Required by Statute column should equal the Transfers (i.e. letter reprogrammings directed by statute), General Provisions, and Supplemental Appropriations.

9. Prior Approval Reprogramming: This column should reflect prior approval reprogrammings. This should include all prior approval reprogrammings approved by the end of the quarter that this report covers.

10. Below Threshold Reprogrammings (BTRs): This column should include any reprogramming actions that the component has made between SAGs that do not require OSD or congressional approval, also known as Below Threshold Reprogrammings (BTRs). BTRs must not exceed $15 million into/out of each Budget Activity (BA) or Defense Agency. Additionally, Conference Report 110-434 cites specific SAGs that require prior approval reprogramming and Defense Agencies and components restricted to BTRs of the lessor of $15 million or 20%. For those that require Congressional notification, this report will serve as notification. However, the footnote for BTRs will include reference to the SAG(s) and amounts that requiring notification.

11. Other Reprogrammings: This column should include any Internal Reprogrammings (IRs) not displayed elsewhere in this report. Provide a footnote explanation for these adjustments (i.e. includes environmental restoration and foreign currency fluctuation transfers). Provide specific details for any adjustments other than adjustments from Transfer accounts. For example, letter reprogrammings authorized but not specifically directed by statute would appear in this column. The footnote would explain the transfer.

12. Current Program: This column must match, by SAG, Budget Activity (BA) and in total, column D (column C for the Marine Corps Reserve, Navy Reserve, Air Force Reserve, and Air National Guard) of the O&M Appropriation Status by Fiscal Year Program and Subaccounts (DD 1002) Report for the last month of the applicable quarter. If it does not, then present the appropriate total; provide a footnote explanation with specific SAG level detail noting the discrepancy and addresses why it does not, and what action is underway to correct any differences.

13. Actual Obligations: This column must match, by SAG, Budget Activity (BA) and in total, column E of the O&M Appropriation Status by Fiscal Year Program and Subaccounts Report (DD 1002) Report for the last month of the applicable quarter. If it does not, then present the appropriate total; provide a footnote explanation with specific SAG level detail noting the discrepancy and addresses why it does not, and what action is underway to correct any differences.

B. Footnotes:

1. Careful attention must be paid to report footnotes.

2. Use the footnote section to explain the data contained in the report and make it meaningful;

3. Explain any deviations from official budget data and accounting execution report data;

4. Be consistent with the wording of footnotes and ensure the current quarter footnotes are consistent with the previous quarter's report footnotes; and

5. Standard footnotes will be provided by the Office of the Under Secretary of Defense (Comptroller) at the beginning of each fiscal year

C. Expectation for Funds Awareness

1. Funds should be controlled at the SAG level to prevent reflecting obligations in excess of program in the O&M DD 1002 Report; and

2. To avoid exceeding SAG thresholds for prior approval reprogrammings as set by Congress.

Appendix A Part **1** - Base for Reprogramming Actions

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BASE FOR REPROGRAMMING ACTIONS
(Dollars in Thousands)

Appropriation Account Title: *Enter the appropriation account title and program year.*

Fiscal Year Program: *Enter the fiscal year.*

Line Item	Program Base Presented to Congress in Printed Justification		Approved Changes Prior to Final Congressional Action		Changes Reflecting Congressional Action/Intent		Program Base Reflecting Congressional/ Presidential Action	
a	Qty b	Amount c	Qty d	Amount e	Qty f	Amount g	Qty h	Amount i

The DD From 1414, Base for Reprogramming Actions, establishes the base from which reprogramming actions may be taken. It identifies line items for each appropriation covered in the DoD Appropriations Acts, except those appropriations having no budget activity subdivisions in the budget document presentation. In addition, accounts that are available solely for transfer to another appropriation for a specified purpose are excluded. Details for this report follow:

Line item nomenclature and accompanying amounts for programs appropriated vary by account and should be shown as follows:

Active and reserve component military personnel appropriation accounts shall list budget activities as presented in the justification books. These line items will be followed by budget activity subdivisions or other line identifications to reflect congressional action by programmatic change. A total for each budget activity will be shown.

Operation and maintenance (O&M) active and reserve appropriation accounts shall list budget activities as presented in the justification books. These line items will be followed by budget activity subdivisions or other line identifications to reflect congressional action by programmatic change. A total for each budget activity will be shown.

Procurement appropriation line items will be the procurement line items shown on the P-1, Procurement Programs, and arranged in the same order with the exact same title. The line items will be grouped by budget activity and a total will be shown for each budget activity. Only congressional special interest item changes should be listed as memo entries under each P-1 line item.

Research, Development, Test and Evaluation appropriation line items will be the program elements shown on the R-1, RDT&E Programs, and arranged in the same order with the exact same title. The program elements will be grouped by budget activity and a total will be shown for each budget activity. New program titles due to congressional adds shall be as reflected in the congressional reports or as part of an existing program element, whichever is appropriate. Only congressional special interest item changes should be listed as memo entries under each program element.

Unless otherwise directed by OUSD(C), undistributed congressional reductions and adds shall be distributed on the DD 1414. An entry will be shown under a category labeled "Undistributed Congressional Actions" for each separate undistributed reduction made by Congress within the appropriation markup and for those undistributed reductions allocated by DoD based on provisions in law that reduced DoD funds for specific purposes.

"Subtotal, Direct Program" follows the line item detail and is the sum of all program lines and the undistributed amounts.

"Total Program, FY 200X" is a total amount of the "Subtotal, Direct Program" and "Reimbursable Program" lines.

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Appendix A Part 1 - Base for Reprogramming Actions (Continued)

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BASE FOR REPROGRAMMING ACTIONS
(Dollars in Thousands)

Appropriation Account Title: *Enter the appropriation account title and program year.*

Fiscal Year Program: *Enter the fiscal year.*

Line Item	Program Base Presented to Congress in Printed Justification		Approved Changes Prior to Final Congressional Action		Changes Reflecting Congressional Action/Intent		Program Base Reflecting Congressional/ Presidential Action	
a	Qty b	Amount c	Qty d	Amount e	Qty f	Amount g	Qty h	Amount i
PROGRAM								

"Program Base Presented to Congress in Printed Justification" (columns "b" and "c"). For each line item in the Procurement and RDT&E appropriations, enter the amounts reflected in the P-1 and R-1. The Procurement line items should include applicable line item quantities (do not use xx). Military Personnel and Operation and Maintenance (O&M) appropriations will be by budget activity level and amounts will be obtained from the printed congressional justification books.

"Approved Changes Presented Prior to Final Congressional Action" (columns "d" and "e"). Enter the amount of increase (+) or decrease (-) to the line items or budget activities which were approved by the Secretary of Defense and formally presented to one or both of the Committees on Appropriations. Normally, such changes, involving a change in the budget estimate for the total appropriation, will be submitted to the Congress by the President as formal budget amendments, although in certain cases, such changes have been presented directly by the Secretary of Defense. Testimony on program changes by a DoD official other than the Secretary or Deputy Secretary of Defense shall be considered as an expression of personal opinion and not as an approved change. This column shall only be used when directed by OSD.

"Changes Reflecting Congressional Action/Intent" (columns "f" and "g"). Enter the amount of increase (+) or decrease (-) for each line item reflecting congressional action as indicated in the Conference Report accompanying the DoD Appropriations Act or any other information as may be available to determine congressional action or intent regarding line item detail. In cases where the Congress has made general reductions, the amounts shall be distributed and reflected in this column.

"Program Base Reflecting Congressional/Presidential Action" (columns "h" and "i"). Entries will represent the arithmetic sum of the applicable entries from columns "b" through "f" and "c" through "g" Quantities and amounts in this column will become the first column "Program Base Reflecting Congressional Action" (columns "b" and "c") of the subsequent DD 1416 for the current fiscal year.

Quantities (Columns "b," "d" and "f"). Quantities are only applicable for the procurement accounts. When a procurement line item contains a quantitative measurement, then the quantity shall be reflected in the appropriate quantity columns for that line item. If no quantity is meaningful as a unit measurement, then leave the column value left (i.e., do not use xx).

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Appendix A Part 1 - Base for Reprogramming Actions (Continued)

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BASE FOR REPROGRAMMING ACTIONS
(Dollars in Thousands)

Appropriation Account Title: *Enter the appropriation account title and program year.*

Fiscal Year Program: *Enter the fiscal year.*

Line Item	Program Base Presented to Congress in Printed Justification		Approved Changes Prior to Final Congressional Action		Changes Reflecting Congressional Action/Intent		Program Base Reflecting Congressional/ Presidential Action	
a	Qty b	Amount c	Qty d	Amount e	Qty f	Amount g	Qty h	Amount i
PROGRAM								

Stub Entries for this Financing Section may include some or all of the following types of transactions:
Budget Authority:
Appropriation, P.L. 110-xxx
PL 110-xxx, Sec. 8106
PL 110-xxx, Sec. 8060
Total Financing, FY 200X Program

Detail instructions for the above financing lines by column are as follows:

Column "c" for the appropriation and reimbursable orders lines shall be the same as the amounts in the President's Budget Program and Financing Schedules.

Column "e" is rarely used; and when appropriate, instructions for this column will be provided.

Column "g" shall be the delta changes made by Congress or DoD for applicable appropriation or general provision changes.

Column "i" shall be the sum of the columns across and shall be column "c," "Program Base Reflecting Basic Congressional Action," on subsequent DD 1416s.

"Transfers" shown on the DD 1414 will only apply for those transfers included as part of the President's Budget request or certain congressional action transfers. For example, these may include transfers in the budget from the National Defense Stockpile Fund or general provision transfers provided by the Congress in law that usually involve transfers to Shipbuilding and Conversion. Generally, other congressionally-directed transfers are not reflected until preparation of the as of March 31 DD 1416, Report of Programs.

Footnoted Items. Extreme care should be used in footnoting items to ensure that congressional direction or intent is accurately reflected. Any congressional add or entire requested amount or partially requested amount that is fenced or identified as a special interest item is to be documented as such on the DD 1414. Footnotes will vary depending on congressional action/intent, i.e., an item may not be increased, or decreased, without congressional committee approval prior to implementation of a reprogramming of funds. The prior approval shall follow established reprogramming procedures. Congressionally denied items shall be noted by a single asterisk "*" or double asterisk "**." The single asterisk shall be used only if the item denied was denied without prejudice. Increases to a single asterisk item may be made only after congressional prior approval. Double asterisk items are not available for reprogramming. All footnotes on the DD 1414 are to be carried over to the DD 1416 reports and remain in effect for subsequent DD 1416 reports unless documentation is provided indicating that the footnote is no longer applicable. Footnotes should be consolidated onto the last page of each account. This saves space and avoids repetition of the same footnote that may appear on several pages of an account.

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Appendix A Part 2 - Base For Reprogramming Actions

REPROGRAMMING ACTION - PRIOR APPROVAL

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Page 1 of 4

Subject:								**DoD Serial Number:**
Appropriation Title: Appropriation titles with year designation.								**Includes Transfer?** Yes or no
Component Serial Number:	*(Amounts in Thousands of Dollars)*							
	Program Base Reflecting Congressional Action		**Program Previously Approved by Sec Def**		**Reprogramming Action**		**Revised Program**	
Line Item	**Quantity**	**Amount**	**Quantity**	**Amount**	**Quantity**	**Amount**	**Quantity**	**Amount**
a	b	c	d	e	f	g	h	i

This is a sample with instructions on details required for preparation of a DD 1415-1, Prior Approval, reprogramming action, which requires congressional committee approval in writing prior to implementation of the committee responses. Specific approval of the USD (Comptroller) is required on all DD 1415 reprogramming actions and OMB endorsement is required for those involving general transfer authority.

An introductory paragraph should include the following:

1. Explain why the action is being submitted for prior approval. (One or more of the following should apply.)

A. Affects an item that is known to be or has been designated as a matter of special interest to one or more of the congressional committees.

B. Initiates a new program, subprogram, modification, program element, project, or subproject.

C. Exceeds thresholds agreed upon between the congressional committees and the Department.

D. Involves the use of general transfer authority and shall state which Acts are involved, for example, pursuant to section 8005, Public Law 111-118, the Department of Defense (DoD) Appropriations Act, 2010, and section 1001, Public Law 111-84, the National Defense Authorization Act for Fiscal Year (FY) 2010.

E. Increases the procurement quantity of a major end item, such as an individual aircraft, missile, naval vessel, tracked combat vehicle, and other weapon or torpedo and related support equipment for which funds are authorized. (Exceptions may apply when congressional language allows for procurement of as many missiles as funds will procure, which requires the submission of, and approval of an internal reprogramming action.)

F. Terminates any program that results in the elimination of a procurement program or an RDT&E program element; a subprogram within a procurement program or RDT&E project or subproject which is equal to the total amount of the procurement program or program element; or a subprogram within a procurement program $20 million or more or an RDT&E project or subproject within a program element of $10 million or more.

Approved (Signature and Date)

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Appendix A Part 2 - Base For Reprogramming Actions (Continued)

REPROGRAMMING ACTION - PRIOR APPROVAL

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Subject:	**DoD Serial Number:**
Appropriation Title: Appropriation titles with year designation	**Includes Transfer?** Yes or no

Component Serial Number:	*(Amounts in Thousands of Dollars)*							
	Program Base Reflecting Congressional Action		**Program Previously Approved by Sec Def**		**Reprogramming Action**		**Revised Program**	
Line Item	**Quantity**	**Amount**	**Quantity**	**Amount**	**Quantity**	**Amount**	**Quantity**	**Amount**
a	b	c	d	e	f	g	h	i

2. A concise sentence stating the purpose of the action.

3. A statement that the action is for a higher priority item, based on unforeseen military requirements, than that for which the funds were originally appropriated, meets all administrative and legal requirements of the Congress, and has not been denied by the Congress. This statement ensures that statutory requirements are satisfied.

4. A statement that the action is/is not included in the President's Budget that is on the Hill for approval.

REPROGRAMMING INCREASES:

Appropriation and year designation

Budget Activity Number and Title

a **b** **c** **d** **e** **f**

Explanation: Funds are required .....

Details for each separate increase are as follows:

a. Line item titles. The title will be identical to the title shown on the DD Form 1414, Base for Reprogramming Actions, if the line item is listed therein.

b. Entries for "Program Base Reflecting Congressional Action" (columns "b" and "c"). For each line item, enter the procurement quantity (if applicable) and amount shown on the DD 1414. The baseline is changed by supplemental appropriations, rescission, and approved DD 1415 reprogramming actions. Do not use "xx" in any column; rather, leave the column blank. For subsequent 1415s, entries will be the same as columns h and i of the most recently approved DD 1415 reprogramming action.

c. Entries for "Program Previously Approved by SecDef" (columns "d" and "e"). For the first 1415 processed for a particular item, entries will be the same as columns b and c entries. For subsequent 1415s, entries will be the same as columns h and i of the most recently approved DD 1415 reprogramming action. If a reprogramming action is already in process in OSD affecting the same item, coordinate the revised program value to be used with the OUSD(C) P&FC.

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Appendix A Part 2 - Base For Reprogramming Actions (Continued)

REPROGRAMMING ACTION - PRIOR APPROVAL

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Subject:	**DoD Serial Number:**
Appropriation Title: Appropriation titles with year designation.	**Includes Transfer?** Yes or no

Component Serial Number:	*(Amounts in Thousands of Dollars)*							
	Program Base Reflecting Congressional Action		**Program Previously Approved by Sec Def**		**Reprogramming Action**		**Revised Program**	
Line Item	**Quantity**	**Amount**	**Quantity**	**Amount**	**Quantity**	**Amount**	**Quantity**	**Amount**
a	b	c	d	e	f	g	h	i

d. Entries for "Reprogramming Action" (columns "f" and "g"). Enter the increase (+) or decrease (-) in quantity (if applicable) and amount of the proposed reprogramming action. The total increases and decreases must net to zero. Columns "f" and "g" are not allowed to contain classified quantities or amounts. Other material, if required, should be classified in order to allow columns "f" and "g" to remain unclassified.

e. Entries for "Revised Program" (columns "h" and "i"). Enter the adjusted quantity (if applicable) and the amount resulting from the proposed increase or decrease to the previously approved program.

f. The "Explanation" on the DD 1415 should include sufficient data to justify the proposed increase. The statements should be informative, clearly stated, and straightforward. The purpose of the written documentation should be to inform the reader; therefore, care must be taken to avoid confusing narratives. For each increase within the reprogramming, include explanations and justifications that are intended to serve the same basic purpose as "original budget justification." Accordingly, concise, accurate, and clearly stated information should be provided for reviewing officials and the congressional committees as to the nature, extent, and necessity of the requirements, the costs, and the proposed application of resources to meet such costs. All program increases should be described in such a way as to distinguish between price changes and program scope changes. Statements should be prepared and reviewed on the basis that classified data will not be included. If classified information is essential to justification of the reprogramming change, it will be submitted under separate cover.

FY2010 REPROGRAMMING INCREASE: **+10,000**

Research, Development, Test, and Evaluation, Air Force, 10/11 **+10,000**

Budget Activity 4: Demonstration/Validation

PE 0603851F ICBM - DEM/VAL	43,206	43,206	**+10,000**	53,206

Explanation: Funds are required to support the Rocket Systems Launch Program (RSLP) which converts surplus ICBMs into test launch vehicles for suborbital and sounding rocket launches. Funds are required to move 166 Minuteman II motors from Pueblo Depot, CO to Camp Navajo Depot, AZ because the Pueblo Depot is closing. As a result, proper storage and maintenance of environmental igloos for motor storage is no longer being maintained or guaranteed. Since the Camp Navajo Depot has been modified and is ready to accept motors, the motors must be moved to ensure proper storage and maintenance and to avoid unauthorized location of hazardous Air Force material.

DD 1415-1 *Unclassified* CLASSIFICATION

Appendix A Part 2 - Base For Reprogramming Actions (Continued)

REPROGRAMMING ACTION - PRIOR APPROVAL

Unclassified

Subject:	**DoD Serial Number:**
Appropriation Title: Appropriation titles with year designation.	**Includes Transfer?** Yes or no

Component Serial Number:	*(Amounts in Thousands of Dollars)*							
	Program Base Reflecting Congressional Action		**Program Previously Approved by Sec Def**		**Reprogramming Action**		**Revised Program**	
Line Item	**Quantity**	**Amount**	**Quantity**	**Amount**	**Quantity**	**Amount**	**Quantity**	**Amount**
a	b	c	d	e	f	g	h	i
FY 2010 REPROGRAMMING DECREASE:						**-10,000**		
Missile Procurement, Air Force, 10/12						**-10,000**		
Budget Activity 3: Modification of In-Service Missiles								
MM III Modifications		29,344		29,344		**-10,000**		19,344

Explanation: These funds are available as a result of the restructure of the Minuteman III Guidance Replacement Program (GRP). As a result of the restructure, procurement of long lead parts to support low rate initial production is not required until the second quarter of 2010. The MM III GRP program is adequately and appropriately funded to support a GRP production start in FY 2010. Accordingly, FY 2010 funds provided to procure long lead parts are available to finance higher priority requirements.

Note: All sources of financing will be clearly and explicitly identified in the DD 1415. A statement immediately following each proposed decrease in a line item shall include information as to the basis upon which it has been decided that the line item may be reduced.

Extreme care should be used in identification of sources to ensure that approved increases will be fully funded. For purposes of the Omnibus reprogramming action, except in the most unusual circumstances, the USD(C) will neither request reconsideration of denied increases, nor submit alternate sources for any denied sources.

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Appendix A Part 3 - Base For Reprogramming Actions

REPROGRAMMING ACTION - INTERNAL

Unclassified

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Subject:	**DoD Serial Number:**
Appropriation Title: Procurement, Marine Corps, 10/11	**Includes Transfer?** No

Component Serial Number:	*(Amounts in Thousands of Dollars)*							
	Program Base Reflecting Congressional Action		**Program Previously Approved by Sec Def**		**Reprogramming Action**		**Revised Program**	
Line Item	**Quantity**	**Amount**	**Quantity**	**Amount**	**Quantity**	**Amount**	**Quantity**	**Amount**
a	b	c	d	e	f	g	h	i

SAMPLE IR FOR QUANTITY INCREASE:

This internal reprogramming action increases the quantity of Avenger fire units to be procured.

REPROGRAMMING INCREASE:					**+20**			
Procurement, Marine Corps, 10/12					**+20**			
Budget Activity 3: Guided Missiles and Equipment								
Pedestal Mounted Stinger (Avenger)								
	61	50,238	61	50,238	**+20**	-	81	50,238

Explanation: Due to favorable contract negotiations on the Avenger missile system the Marine Corps will be able to procure an additional 20 Avenger fire units within the available FY 2000 funding.

REPROGRAMMING DECREASE:					**-20**	-		
Procurement, Marine Corps, 10/12					**-20**	-		
Budget Activity 3: Guided Missiles and Equipment								
Pedestal Mounted Stinger (Avenger)								
	61	50,238	61	50,238	**-20**	-	81	50,238

Explanation: .

Approved (Signature and Date)

DD 1415-3

Unclassified
CLASSIFICATION

Appendix A Part 4 - Base For Reprogramming Actions

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REPORT OF PROGRAMS
(Dollars in Thousands)

Appropriation Account Title: *Enter the appropriation account title and program year.*

As of: *March 31, 200X or September 30, 200X*

Line Item	Program Base Reflecting Basic Congressional Action		Program Base Adjustments Reflecting Enacted Supplementals and Rescissions		Reprogramming Changes Approved by the SecDef and/or Congressional Committees		Changes Reflecting Congressionally Directed Undistributed Amounts and Transfers		Below Threshold Changes Not Requiring Approval by the SecDef or Committees		Total Revised Program (Columns b and c through j and k)	
a	Qty b	Amount c	Qty d	Amount e	Qty f	Amount g	Qty h	Amount i	Qty j	Amount k	Qty l	Amount m
PROGRAM												

The DD Form 1416, Report of Programs, reflects the congressionally approved programs as enacted, reprogramming actions which have been approved by the SecDef and congressional committees, congressionally directed undistributed amounts and transfers, and reprogramming actions of lesser significance that are implemented by a DoD Component using below threshold reprogramming flexibility. Details for this report follow:

Line item nomenclature for programs financed within the appropriation account should be as follows: For March 31, titles/line entries for annual appropriation accounts and multiyear appropriation accounts in the first year of availability shall be exactly as shown in the preceding "Base for Reprogramming Actions" report. Additionally, any "new starts" reported to the Congress by notification letter or reprogramming action shall be listed as presented to the Congress. Operation and Maintenance (O&M) memo entries (i.e., not congressional special interest items or part of the President's Budget) listed on the DD 1414 do not need to be carried forward to the DD 1416. .

Single line item for "Canceled Appropriation Account Adjustments." This will reflect adjustments for purposes of the use of currently available appropriations to fund obligations or adjustments to obligations that otherwise would have been funded from a canceled account except it is canceled based on the Closing Appropriation Accounts Legislation (P.L. 101-510). A line entitled "Canceled Appropriation Account Adjustments" will be a separate line item or program element and added as an entry within a single budget activity. For appropriations that do not display line item detail, a memo line shall be shown under any single budget activity.

"Subtotal, Direct Program" follows the line item detail and is the sum of all program lines and the undistributed amounts.

"Total Program - FY 200X" is a total amount of the" Subtotal, Direct Program" and "Reimbursable Program" lines.

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Appendix A Part 4 - Base For Reprogramming Actions (Continued)

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CLASSIFICATION

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REPORT OF PROGRAMS
(Dollars in Thousands)

Appropriation Account Title: *Enter the appropriation account title and program year.* | As of: *March 31, 200X or September 30, 200X*

Line Item	Program Base Reflecting Basic Congressional Action		Program Base Adjustments Reflecting Enacted Supplementals and Rescissions		Reprogramming Changes Approved by the SecDef and/or Congressional Committees		Changes Reflecting Congressionally Directed Undistributed Amounts and Transfers		Below Threshold Changes Not Requiring Approval by the SecDef or Committees		Total Revised Program (Columns b and c through j and k)	
a	Qty b	Amount c	Qty d	Amount e	Qty f	Amount g	Qty h	Amount i	Qty j	Amount k	Qty l	Amount m

"Program Base Reflecting Basic Congressional Action" (columns "b" and "c"). For both March 31 and September 30, line items shall be columns "h" and "i" of the DD 1414 for the applicable program year for annual and multiyear appropriation accounts. This amount shall remain unchanged throughout the existence of the DD 1416.

"Program Base Adjustments Reflecting Enacted Supplementals and Rescissions (columns "d" and "e"). Enter only deltas for those programs changed by congressional action outside the initial congressionally appropriated amount for amounts from subsequent enacted supplementals and rescissions.

"Reprogramming Changes Approved by the SecDef and/or Congressional Committees" (columns "f" and "g"). Enter only delta numbers to reflect increases and decreases from all DD 1415 reprogramming actions. These columns will reflect the final results of approved reprogramming actions. In order to keep increases and decreases in balance, sometimes denials of proposed increases and decreases may not be reflected until the implementation of the reprogramming action has been finalized.

"Changes Reflecting Congressionally Directed Undistributed Amounts and Transfers" (columns "h" and "i"). Delta entries may include the accumulation of several independent actions: (1) The spread by line item of any congressional undistributed add or reduction which depending on language, may affect only a few programs or all programs, (2) Congressionally directed transfers that are to be made to or from agencies outside DoD or any other transfers of funds, which are not included on a DD 1415 action, (3) Funds transferred by letter to DoD appropriations, i.e., from the Defense Cooperation Appropriation Account or between NFIP funds, (4) The collection of Small Business Innovation Research (SBIR) program resources into the SBIR program element. Internal controls within the DoD Components shall be maintained to identify the costs associated with each type of transaction. The distribution by line item of these columns may be changed to reallocate the undistributed amounts directed at appropriation account level if necessary, but only if not otherwise constrained by other guidance.

DD 1416 **UNCLASSIFIED**

Appendix A Part 4 - Base For Reprogramming Actions (Continued)

UNCLASSIFIED
CLASSIFICATION

***September 2010**
Page 3 of 4 Pages

REPORT OF PROGRAMS
(Dollars in Thousands)

Appropriation Account Title: *Enter the appropriation account title and program year.* | As of: *March 31, 200X or September 30, 200X*

Line Item	Program Base Reflecting Basic Congressional Action		Program Base Adjustments Reflecting Enacted Supplementals and Rescissions		Reprogramming Changes Approved by the SecDef and/or Congressional Committees		Changes Reflecting Congressionally Directed Undistributed Amounts and Transfers		Below Threshold Changes Not Requiring Approval by the SecDef or Committees		Total Revised Program (Columns b and c through j and k)	
a	Qty b	Amount c	Qty d	Amount e	Qty f	Amount g	Qty h	Amount i	Qty j	Amount k	Qty l	Amount m

"Below Threshold Changes Not Requiring Approval by the SecDef or Committees" (columns "j" and "k"). Delta entries in these columns relate to direct program changes not requiring above threshold reprogrammings, such as a DD 1415-1 or DD 1415-3. The amounts represent cumulative changes made within a DoD Components threshold authority, known as below threshold. Guidelines are as follows:

Cumulative amounts for each line item may not exceed established threshold amounts, except for adjustments made for "canceled appropriation account adjustments." When the threshold is exceeded due to canceled appropriation account adjustments, a footnote is required stating that the reprogramming threshold has been exceeded due to canceled appropriation account adjustments.

Changes to the direct program shall net to zero, except when below threshold authority has been used by a DoD Component to finance a congressionally approved increase that was approved on a reprogramming action (usually in regard to the DoD Omnibus Reprogramming Action). This may occur when there is a lack of approved sources to finance all the approved increases. In this case, the total direct program in column "k" will not net to zero. The increase financed by the below threshold action shall be recorded in the DD 1415 column of this report, "Reprogramming Changes Approved by the SecDef and/or Congressional Committees. The sum of these adjustments, for the two separate columns, shall be included against the appropriation line in the "Financing" section.

"Total Revised Program (Columns b and c through j and k)" (columns "l" and "m"). Entries will represent the arithmetic sum of the applicable entries from columns "b" through "j" and "c" through "k." The revised program amount shall agree with the program amounts on the DD 1002, Appropriation Status by Fiscal Year Program and Subaccounts, as of the same time periods, March 31 and September 30, except for pending reprogramming actions.

Footnoted Items. All footnotes on the preceding DD 1414 and DD 1416 reports shall be brought forward. If any footnote is omitted, the reason for doing so must be documented and provided to OUSD(C) P&FC along with the DD 1416 submission; unless the footnotes represent the status of a reprogramming action, such as pending congressional approval or OSD approval.

DD 1416 **UNCLASSIFIED**

Appendix A Part 4 - Base For Reprogramming Actions (Continued)

UNCLASSIFIED
CLASSIFICATION

***September 2010**
Page 4 of 4 Pages

REPORT OF PROGRAMS
(Dollars in Thousands)

Appropriation Account Title: *Enter the appropriation account title and program year.* | As of: *March 31, 200X or September 30, 200X*

Line Item	Program Base Reflecting Basic Congressional Action		Program Base Adjustments Reflecting Enacted Supplementals and Rescissions		Reprogramming Changes Approved by the SecDef and/or Congressional Committees		Changes Reflecting Congressionally Directed Undistributed Amounts and Transfers		Below Threshold Changes Not Requiring Approval by the SecDef or Committees		Total Revised Program (Columns b and c through j and k)	
a	Qty b	Amount c	Qty d	Amount e	Qty f	Amount g	Qty h	Amount i	Qty j	Amount k	Qty l	Amount m

Stub Entries for this Financing Section may include some or all of the following types of transactions:
Budget Authority:
- Appropriation, PL 110-xxx
- PL 110-xx, sec. 8054
- Appropriation, PL 110-xxx
- Rescission, PL 110-xx (sec. 2007(b))
- Transfers
- Total Financing, FY 200X Program

Detail instructions for the above lines are as follows:

The appropriation amount should agree with the amount enacted in the basic appropriations act. The amount will be the same for columns "c" and "m."

General provisions in enacted laws that reduce the value of the appropriation level, additional appropriation from supplemental appropriations acts, and rescinded amounts in appropriations acts should be specifically identified by reference. The net change amounts shall be reflected in columns "c" and "m" and shall agree with the amounts enumerated by subject category in the program section.

Transfers should be the net amount of transfers in or transfers out of the appropriation as of either March 31 or September 30. Transfer amounts for each column shall be reflective of what type of documentation directed the transfer of funds. Specific program transfers directed in law, i.e., Shipbuilding Cost Adjustments, will be reflected in column "c" or column "e" depending on whether the congressional action was in the basic appropriations act or subsequent enacted legislation. The net amount of transfers from all reprogramming actions, DD 1415-1 or DD 1415-3, shall be reflected in column "g." Transfers in or transfers out of the appropriation account processed by other than a DD 1415, normally supported by a letter, shall be reflected in column "i." Below threshold authority by definition does not allow for changes between appropriations, so no transfers shall be shown in column "k." The "Total Revised Program" for transfers as of September 30 shall agree with the September 30 "Report of Budget Execution" (SF 133). Transfers as of March 31 may differ from the SF 133 as of March 31 due to pending actions.

DD 1416 **UNCLASSIFIED**

Appendix A Part 5 – Report of Programs

Report of Programs
(Dollars in Thousands)
Data as of: XX Month 20XX

Account:

Budget Line Item Number or Program Element	Budget Line Item Title	President's Budget Request	Appropriation	Distribution of Congressional Adjustments 1/	Adjustments Required by Statue 2/	Supps/ Rescissions	Cancelled Account Adjustment	Above Threshold Reprog 3/	Below Threshold Reprog 3/	Net Program

1/ Includes reductions contained in General provisions or in other Acts.

2/ Includes those reductions required by statute, such as the Small Business Innovation Research Program and the Small Business Technology Transfer Program.

3/ Reflects the absolute value of transfer into or out of the Budget Line Item or Program Element.

Note: Budget Line Item Number if Procurement appropriation and Program Element (PE) if RDT&E appropriation.

Appendix B – Budget Activity

ARMY

SAG	**BUDGET ACTIVITY 01 : Operating Forces**
	Land Forces
111	Maneuver Units
112	Modular Support Brigades
113	Corps Support Forces
114	Echelons Above Brigades
115	Land Forces Operations Support
116	Aviation Assets
	Land Forces Readiness
123	Land Forces Depot Maintenance
	Land Forces Readiness Support
131	Base Operations Support
132	Real Property Maintenance

NAVY

	BUDGET ACTIVITY 01 : Operating Forces
	Air Operations
1A1A	Mission and Other Flight Operations
1A2A	Fleet Air Training
1A4N	Air Systems Support
	Ship Operations
1B1B	Mission and Other Ship Operations
1B2B	Ship Operations Support and Training
1B4B	Ship Depot Maintenance
	Base Support
BSM1	Sustainment, Restoration, and Modernization
BSS1	Base Operating Support

Marine Corps

	BUDGET ACTIVITY 01 : Operating Forces
	Accession Training
BSM1	Sustainment, Restoration, and Modernization
BSS1	Base Operations Support
	Expeditionary Forces
1A1A	Operational Forces
1A3A	Depot Maintenance

Air Force

	BUDGET ACTIVITY 01 : Operating Forces
	Air Operations
011A	Primary Combat Forces
011B	Primary Combat Weapons
011C	Combat Enhancement Forces
011D	Air Operations Training
011M	Depot Maintenance
011R	Real Property Maintenance
011Z	Base Support
	BUDGET ACTIVITY 02: Mobilization
021A	Airlift Operations

Appendix B Part 4 – Readiness Transfer Report (Continued)

FY 20XX Readiness Transfer Report
Operation and Maintenance, (Component Name)____
(Dollars in Thousands)

Budget Activity:
Subactivity Group:

FY 20XX Budget Request (Must match the applicable President's Budget Request)		**xxx**
Congressional Adjustments (Distributed)		xxx
Identify each distributed congressional adjustment in the applicabel DoD Appropriations Act (P.L.).	xxx	
Congressional Adjustments (Undistributed)		xxx
Identify each undistributed congressional adjustment in the applicable DoD Appropriations Act (P.L.).	xxx	
Technical Corrections Required to Comply with Congressional Intent		xxx
Identify each realignment (within the appropriation) of congressional actions to meet congressional intent.	xxx	
Congressional Adjustments (General Provisions)		xxx
Identify each adjustment included in the general provisions of the applicable DoD Appropriations Act (P.L.). Be sure to include section numbers (e.g., Section 8094: Cash Balances).	xxx	
Across-the-Board Reductions		xxx
Global War on Terror Supplemental or Title IX, (P.L.)		xxx
List and explain each.	xxx	
Transfer from the Iraqi Freedom Fund (IFF) Transfer Account		xxx
Identify and explain each transfer. Be sure to specify year of availability of the IFF (i.e., FY 2008/2009 or FY 2009/2010).	xxx	
Transfer from the Counter-Drug Account		xxx
Transfer from the Foreign Currency Fluctuations, Defense Account		xxx
Provide programmatic reason for each reprogramming action.	xxx	
Other Approved Reprogrammings (Requiring 1415 Actions)		xxx
List each approved reprogramming. ***Include IR or PA numbers.*** Provide programmatic reason for each reprogramming action.	xxx	
Fact-of-Life Adjustments (Below Threshold Reprogrammings)		xxx
The O&M fact-of-life changes are programmatic, intra-appropriation adjustments made by DoD Components to address significant, unforeseen operational readiness issues within the following categories. Be sure to identify the sources from which funds were transferred into that activity and identify the recipients of the funds transferred out of that activity. In addition, please explain why each realignment (both "from" and "to") is necessary.	xxx	
a) Emergent Requirements		xxx
Identify each adjustment to funding requirements resulting from changes in policy, legal direction, or other unforeseen (e.g., operational readiness, health, or safety, etc. related) events. Provide PROGRAMMATIC reason for the change (both the source and the bill). (Note: All adjustments for emergent requirements should net to zero at the appropriation level.)	xxx	
b) Functional Transfers		xxx
Identify each funding realignment that reflects a transfer of function, responsibility, or duty from one major command to another within each Military Department. These adjustments do not change the purpose for which the funds were appropriated and may in centralizing funds into a SAG for increased efficiency. Provide PROGRAMMATIC reason for each transfer ("from" and "to"). (Note: All functional transfers should net to zero at the appropriation level.)	xxx	
FY 20XX Mid-Year or End of Year Funding as applicable (Must match Column D of the 1002 Rpt dated March 31 or September 30 as applicable)		**xxx**

Page 3 of 3

Appendix C – Operation and Maintenance Budget Execution Data

Operation and Maintenance Budget Execution Data
Department of the _____
(Dollars in Thousands)
Data as of: (Decemeber 31/March 31/June 30/September 30) (Fiscal Year)

Appropriation	Budget Activity	Activity Group	Subactivity Group	President's Budget Request	Appropriation	Distribution of Unallocated Congressional Adjustments 1/	Adjustments Required by Statute 2/	Prior Approval Reprogram-mings	Below Threshold Reprogram-mings 3/	Other Reprogram-mings 4/	Current Program 5/	Actual Obligations 6/
	Budget Activity (#) Summary			**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**
	Budget Activity (#) Summary			**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**
	Budget Activity (#) Summary			**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**
		Total Direct Program		**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**

Notes

1/ The "Distribution of Unallocated Congressional Adjustments" column reflects the undistrubuted adjustments from Conference Report xxx-xxx.
2/ The "Adjustments Required By Statute" column reflects amounts for General Provisions (P.L. xxx-xxx) and Supplemental Appropriation (P.L. xxx-xxx).
3/ The "Below Threshold Programmings" column includes intra-Budget Activity fund reprogramming and realignments to meet congressional intent.
4/ The "Other Reprogrammings" column includes Internal Reprogramming for Counternarcotics, Environmental Restoration, Foreign Currency Fluctuation and others as directed.
5/ The "Current Program" column reflects column D of the Operation & Maintenance Appropriation Status by Fiscal Year Program and Subaccounts Report (DD 1002 report) as of (Day) (Month) (Year).
6/ The "Actual Obligations" column reflects column E of the Operation & Maintenance Appropriation Status By Fiscal Year Program and Subaccounts Report (DD 1002 report) as of Day Month Year.

VOLUME 3, CHAPTER 7: "REPROGRAMMING OF MILITARY CONSTRUCTION AND FAMILY HOUSING APPROPRIATED 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 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
070307	Updates guidance for administrative processing instructions associated with reprogramming actions.	Update
0704	Updates Reprogramming Request Format	Update

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CHAPTER 7

REPROGRAMMING OF MILITARY CONSTRUCTION AND FAMILY HOUSING APPROPRIATED FUNDS

0701 GENERAL

This chapter provides guidance for the preparation of reprogramming proposals for the appropriation of military construction and family housing funds.

0702 SUBMISSION REQUIREMENTS

The congressional subcommittees concerned with the appropriation and authorization of military construction and family housing funds have agreed that, in executing approved programs, some flexibility is required in adjusting approved funding levels to comply with new conditions and to effectively plan programs to support assigned missions. To facilitate the use of this authority and to promote continuity with the subcommittees, the Department agrees to seek approval from the relevant congressional committees. Departmental adjustments or reprogramming measures may be required for a number of reasons including: responding to emergencies; restoring or replacing damaged or destroyed facilities; accommodating unexpected price increases; and implementing specific program provisions provided for by the congressional committees. While supporting DoD Component mission accomplishments reprogramming measures are intended to ensure that the use of DoD appropriations complies with congressional intent.

0703 PROCEDURES

070301. DoD Approvals

Proposed military construction and family housing Reprogramming actions shall be approved by the OUSD (C). Reprogramming actions shall be submitted to the Office of Management and Budget for clearance, as required by ***OMB Circular No. A-11, Section 22.3, "Clearance of Materials for Congress and the Media"***. After OUSD(C) approval, they shall then be submitted to the appropriate congressional committees for approval or for notification. Certain Reprogramming actions below threshold may be executed on approval of designated officials at the DoD Component level (see subparagraph 070302.B.3, below). Generally, the OUSD(C) shall not approve Reprogramming actions until compliance with the criteria delineated below has been fully documented by the DoD Components. When the House and Senate Armed Services Committees are to be notified in accordance with Title 10, United States Code, the DoD Component shall provide a copy of the signed and dated notification letter to the DoD Comptroller along with the Reprogramming request. Congressional notification letters in accordance with Title 10 must be sent to the four defense oversight committees prior to requesting a Reprogramming action.

070302. Determining Reprogramming Actions Requiring Prior Notification and Approval of Congressional Committees

The following definitions, procedures, and criteria shall apply.

A. Reprogramming Base. The specific dollar amount for any project or effort that has been jointly approved for appropriation by the Committees on Appropriations. In instances where a prior approval reprogramming request for a project or effort has been jointly approved by the Committees on Appropriations, the amount approved becomes the new base for any future increase or decrease via below threshold reprogramming actions or prior approval reprogramming requests.

B. When Prior Approval Reprogramming is Required. Prior approval Reprogramming is required for the following:

1. For any increase exceeding 25 percent of the Reprogramming base or $2.0 million, whichever is less, to military construction projects, family housing new construction projects, or family housing improvement projects (exceeding $2.0 million base value).

2. For any increase exceeding 25 percent or $2.0 million, whichever is less, to a project or effort whose base has been increased by a previously approved congressional Reprogramming action.

3. For any increase exceeding 25 percent or $2.0 million, whichever is less, to a project whose base has been decreased by a previously approved congressional Reprogramming action.

4. For any increase, regardless of percentage or dollar value, to a project that has been previously reduced in scope by the Congress in acting on the appropriation request.

5. For any emergency construction project to be performed under 10 U.S.C. 2803.

6. For any restoration or replacement of damaged or destroyed facilities to be undertaken with military construction funds under 10 U.S.C. 2854.

7. For any acquisition of interests in land under 10 U.S.C. 2663(d).

8. For any family housing relocation project to be accomplished under 10 U.S.C. 2827.

9. For any project authorized to be accomplished from savings, unless specifically exempted from such requirement by the Committees on Appropriations.

10. For any Reserve Component major construction project, regardless of amount, that was not among those justified to and approved by the Congress, or for an increase to an approved project that exceeds 25 percent of the Reprogramming base, or $2.0 million, whichever is less.

11. To increase the amount appropriated for unspecified minor construction.

12. To increase the amount appropriated for architectural and engineering services and construction design.

C. When Prior Approval Reprogramming is Not Required. Prior approval Reprogramming is not required for the following:

1. When none of the criteria listed above, apply to the project or to the cost increase required.

2. For projects utilizing Environmental Restoration, Defense funds authorized under 10 U.S.C. 2810."

3. For projects less than $2.0 million within the Family Housing Improvements Program.

4. For decreases to a project or effort in response to "general reductions" imposed by the Congress for savings or other reasons.

5. When a DoD Component takes action to reprogram funds between or among family housing operations and maintenance accounts. However, the committees shall be notified within 30 days of any transfer (cumulative within a fiscal year) that exceeds 10 percent of the reprogramming base of the increased account.

6. When the cost increase necessitating a Reprogramming is due solely to final settlement of a contractor's claim (Senate Report 100-200).

7. For any project being completed with expired funds. Cost increases are only allowable for valid upward price adjustments, which exclude any work not in the scope of the original contract (Senate Report 100-200).

8. For Reserve Component projects when the revised cost does not exceed $400,000. Reprogramming action may be taken 21 days after the appropriate committees receive notification and do not object (Senate Report 100-200).

070303. When Reprogrammings Shall Not Be Submitted

Requests for Reprogrammings shall not be submitted by DoD Components when any of the following conditions exist.

A. For any project or effort that has not been authorized, with the following exceptions:

1. Projects constructed under 10 U.S.C., sections 2803, 2854, 2663(d), or 2827.

2. Reserve Component projects that receive "lump-sum" authorization.

B. For any project or effort that, for any reason, has been denied specifically by the Congress, as indicated by report language or by the elimination of funds, unless all pertinent report language specifically states that a subsequent reprogramming shall be required or entertained, or when the requirement qualifies as an emergency, as defined in 10 U.S.C. 2803.

C. To initiate programs of major scope or base realignment actions, when such larger efforts have not been authorized by the Congress.

070304. Split-Year Funding Authority

As provided for by Conference Report 100-912, the committees have agreed to allow split-year funding for military construction and family housing construction projects. Split-year funding occurs when a project is financed by funds from more than one program year (appropriation). Resources made available for split-year funding shall remain in the original appropriation for fund control and accounting purposes. Projects that have been funded in phases by the Congress are not considered split-year funded.

070305. Appeals to Congressional Committees

An unfavorable congressional committee decision on a Reprogramming action may be appealed by the OUSD(C). Any appeal on a Reprogramming action taken after it is submitted to the congressional committees is subject to the same review and approval procedures as the original Reprogramming.

070306. Explanatory Statements

Each proposed Reprogramming action shall be fully justified and documented using the guidance in paragraph 0704, below. The required format should be closely followed to prevent unnecessary delays in processing.

*070307. Administrative Processing Instructions

A. Reprogrammings normally shall be forwarded monthly to the Appropriation Committees. If exceptions to this monthly processing schedule are required, such as year-end Reprogrammings, the DoD Components shall be notified separately. DoD Component Reprogramming points of contact are responsible for ensuring that all required documentation has been provided to the OUSD(C), Program and Financial Control (Room

3C689) and the Military Personnel and Construction Directorate (Room 3C654), Pentagon, Washington, DC 20301-1100, by the 5th day of the month. If the 5th day falls on a weekend or holiday, the due date automatically is the next workday. Any actions received after the 5th day will be held for the next month's processing.

B. Urgent Reprogramming requests warranting that action in advance of the next regular cycle shall be evaluated and processed on a case-by-case basis. However, such out-of-cycle requests are expected to be extremely rare and in no case shall correctable situations. Reprogramming requests must be sent by OUSD(C) to the Congress at least one month prior to the bid expiration date. Components must consider the 5th day cut-off date when determining when a request should be forwarded to OUSD(C). Reprogramming requests will not be accepted if there is insufficient time to review and send to Congress one month prior to the bid expiration date.

C. All sources should reflect the title, location and amount in the Authorization Act and be researched to ensure the requests will not be denied.

D. Documentation: MilCon/Family Housing reprogramming action should be submitted via email to OUSDC (P&FC) by the 5th workday of the month. The email should include the following:

1. A ".pdf" transmittal memorandum signed by an appropriate DoD Component official and supported by the proposed reprogramming justification and relevant supporting material, such as, a certification by the Component's Comptrollers that fund sources are available and the Component's fiscal counsel has reviewed and has no fiscal objection, 10 USC 2853 notifications, and DD Form 1391 (if applicable); and a MS Word justification document.

2. This transmittal memorandum must state specifically that the Reprogramming either does or does not require a cost variation notification in accordance with 10 U.S.C. 2853. If the Reprogramming requires a section 2853 notification, a signed and dated copy of the notification also should be included in the required documentation. This notification letter must be transmitted to the Congress by the DoD Component prior to submission of the Reprogramming request to OUSD(C). The Reprogramming shall be provided in the specified format and 12-pitch typeface and letter-quality format.

3. The top page(s) should be the Reprogramming request (installation, project, authorization, et al.) (see paragraph 0704, below). Supplementary narrative information, if required, should be attached next. A DD Form 1391, FY 19XX "Military Construction Project Data," is required if committees are seeing this project for the first time. Generally, this shall be restricted to situations in which the Military Service Secretary is exercising the emergency provisions of 10 U.S.C. 2803; the DoD Component is citing section 2854 to replace a damaged or destroyed facility; a project is being funded from savings; or a project has been added by the Congress without the benefit of official records reflecting the scope of the project involved (i.e., without a DD Form 1391).

4. Submissions that do not adequately justify the requirement or are missing documentation will be returned. When Components fail to correct a deficiency within two business days, the action may be returned and the Component will be required to resubmit their reprogramming request.

* 0704 REPROGRAMMING REQUEST FORMAT

Bid Expiration Date:

Military Construction or Military Family Housing Construction, (Enter DoD Component)

Reprogramming Request

Installation: Enter installation or base name, and location, consistent with the National Defense Authorization Act (NDAA).

Project: Enter project or program title consistent with the NDAA, if the project or program is in the funded program. If not previously authorized, enter the new emergency project title.

Authorization: Reflect the exact title of the NDAA, which includes the fiscal year and public law. If not previously authorized, reflect the appropriate sections of the Title 10, United States Code Authority for emergency or replacement projects.

Estimated Cost ($000):

Previously Appropriated

Previously Reprogrammed

Requested Reprogramming

Total Estimated Costs

Description: Give a brief description of the project and requirement, similar to the 1391 project description. If appropriate, indicate any significant changes to scope.

Justification: Be clear, succinct, and complete in describing the need for the Reprogramming. If appropriate, summarize the chronology of events leading to the request, such as when the request for the proposal was announced and when bids were received. Include other relevant information, such as the contracting strategy and/or type of contract, and impact if funding was not to be made available, as well as what is driving the increase in cost (such as market conditions, inflation, full prices).

Source of Funds: Explain why the funds are no longer required for the purpose originally appropriated. With the exception of BRAC, funds may not be "borrowed" from a project temporarily, with the intention of later restoring a portion of the amount reprogrammed.

Location & Project*	Fiscal Year	Amount Appropriated ($000)**	Current Working Estimate ($000)	Proposed Reprogramming ($000)

Use Tabs to ensure that all words and numbers are properly aligned.
*Project title and location as stated in the NDAA.
**Amount as reflected in the Appropriation Act.

VOLUME 3, CHAPTER 8: "STANDARDS FOR RECORDING AND REVIEWING COMMITMENTS AND OBLIGATIONS"

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 November 2000 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
080201	Added bona fide need requirements for commitments.	Add
080202.G	Incorporates new information on the commitment of Commercial Purchase Cards.	Add
080202.H	Added requirement to commit funds before imprest funds are advanced to a cashier.	Add
080301	Defined an obligation, added reference to expired and cancelled funds policy, clarifies when DoD Components may incur obligations, and references the Administrative Control of Funds chapter.	Add
080301	Deletes sentence restricting the creation of obligations where no prior obligation is found.	Delete
080303.A	Clarified when to obligate funds for option years and other normal limitations.	Update
080303.B	Added procurement lead time and delivery stipulations.	Add
080803.C	Added obligation requirements for severable and non-severable service contracts to include training contracts.	Add
080303.D	Deletes the reference to international agreements as contracts.	Delete
080303.E	Added policy for retention of refunds for reprocurement and excess recovered amounts. Referenced Chapter 10 for reprocurements involving expired funds.	Add
080304.A	Replaces reference to DoD Component counsel with cognizant counsel.	Update
080304.B	Replaces "original" with "New" obligations.	Update

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
080304.D	Clarified that the existence of additional deliverable services is a change in scope.	Update
080304.F. 1. and 2	Modifies source of funds to those available for the same purpose and clarifies funds as those current at the time of the judgment. Clarified that attorney fees and other expenses are not payable by the Judgment Fund and should be funded with funds current at time the awards are made by the deciding official or court. Deleted reference to Comptroller General's Decision as authority for DoD policy.	Update/ Delete
080304.F.6	Added a section on No FEAR claims.	Add
080305	Added guidance for Purchase Card obligations.	Add
080401	Changes paragraph's title to read: "Triannual Reviews of Commitments, Obligations, Accounts Payable and Accounts Receivable. Defines a fund holder as the DoD official receiving an administrative subdivision of funds. Dormant transactions exclude FFP contracts and current commitments and obligations from Triannual Review. Provides language for reviewing Accounts Payable and Receivable. Provides requirement for Overseas Contingency Operations Costs review as a special emphasis item.	Update
080402	Renamed "Responsibilities of Accounting Offices" to "OUSD(C) Triannual Review Goals". Adds specific OUSD(C) goals to be achieved by completing the Triannual Review.	Add
080403	Renamed "Responsibilities of Fund Holders" to "Responsibilities of Accounting Offices". Substitutes the word dormant for outstanding.	Update
080403.C	Adds policy for deobligating funds on dormant contracts under $1000.	Add
080404	Renamed "Responsibilities of the Assistant Secretaries of the Military Departments (Financial Management and Comptroller) and the Comptroller of the Defense Agencies and DoD Field Activities" to "Responsibilities of Fund Holders". Substitutes the word dormant for outstanding through the section.	Update

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
080405	Renamed "Documentation" to "Responsibilities of the Assistant Secretaries of the Military Departments (Financial Management and Comptroller) and the Comptroller of the Defense Agencies and DoD Field Activities".	Update
080406	Adds new paragraph number for Documentation. Substitutes the word dormant for outstanding through the section.	Add/Update
080406.B	Adds policy for deobligating funds and contract closeout for dormant contracts of less than $1000.	Add
080406.C	Renumbered "B" to "C". Adds the words "Component level".	Update/Add
080406.C.2	Adds requirement specifically adding research for duplicate obligations to the Triannual Review.	Update
080406.C.12	Provides that a sentence be included in the Certification Document indicating percentage of Contingency Operations related documents reviewed.	Add
080406.C.13	Adds a specific attestation on the Triannual Review certification that all existing interagency agreements are consistent with DoD policy.	Add
080406.C. 18, 19. and 20	Adds specific attestation on payables, receivables and interagency agreements with non-Defense entities.	Add
080408	Adds a new paragraph requiring that Fund holders provide confirmation statements to the Under Secretary of Defense (Comptroller) within 45 working days of the end of January and May each fiscal year. Original guidance of May 14, 1996, was modified in the November 2000 change and is now reinstated. Adds requirement that Confirmation Statement include name, email address, office symbol and telephone number of Certifying Official.	Add
080409	Add Automated Tools supporting review to the language.	Add
080410	Adds definition of due diligence including a due diligence checklist.	Add
080411	Adds language for Reimbursable Funding roles and responsibilities for review and certification. Adds guidance on proper use of non-DoD contracts.	Add
0805	Deletes paragraph 080514 for Advisory and Assistance Services.	Delete
080503	Updated obligation policy on Cost-Reimbursement and Time-and-Material contracts.	Update
080504	Added an Indefinite-Delivery Type Contracts section .	Add

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
080507.C	Delete the requirement that Components record a miscellaneous obligation at year end for undefinitized amount of an undefinitized contract action.	Delete
080508	Updated policy on interest on contractor claims.	Update
080509	Deletes the reference to Public Law and replaces it with a reference within Volume 10, Chapter 12.	Delete
080510.B	Reworded paragraph on purchase orders for clarity and ease of reading.	Update
080511.D	Delete reference to cost plus award-fee.	Delete
080605	Affirms that for foreign leases of structures and real property signed for up to 5 years, obligations are paid on an annual basis from the yearly funds appropriated for that year.	Update
080606	Updated policy for domestic lease agreements, which must be fully funded at inception unless the lease includes a cancellation clause. Added hyperlinks for U.S.C. references.	Update/Add
080701	Clarified reimbursable agreements are recorded as a valid obligation for the full amount stipulated in the agreement as of the date of acceptance.	Update
080703	References the Project Order, Economy Act, and Non-Economy Act chapters in Volume 11A.	Update
080703.A	Clarified project order authority is available only for intra- or inter- DoD orders.	Update
080703.B	Provides the specific circumstances where Economy Act orders remain viable vice referencing the Public Law.	Update
080703.C	Adds requirements for Non-Economy Act orders.	Add
080704	Added guidance on modifying reimbursable orders.	Add
0808	Refined terminology for the two types of DWCF activities, stock and service.	Update
080903	Replaces the time for obligating annual leave from when it becomes due and payable to when it is actually taken.	Update
0810	Updates policy to obligate permanent change of station orders at the time the orders are issued for military personnel.	Update
081202	Added requirement to track the amount of undisbursed grant funding remaining in expired grant accounts.	Update
081203	Added obligation requirements for bid protests and other challenges.	Add
081204	Added obligation requirements for liquidated damages.	Add

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
081206	Deletes the term "tentative" as a type of obligation. Renumbered from "081204".	Delete
081207	Updated policy for public utility services. Renumbered from "081205".	Update
081213.A	Incorporates a 4th exception to the prohibition against obligating appropriated funds for firefighting contracts. Renumbered from "081211".	Update
081214	Added policy for recording proper obligations for postage.	Add
0813	Deleted specific verbiage involving upward adjustments in excess of $4 million per 31 U.S.C. 1553 because policies are already captured in Volume 3, Chapter 10.	Delete
0814	Renumbered "0814" to "0813"	Update

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CHAPTER 8

STANDARDS FOR RECORDING AND REVIEWINGCOMMITMENTS AND OBLIGATIONS

0801 PURPOSE

This chapter sets forth the basis for determining the amount and accounting period in which commitments and obligations shall be recorded under various circumstances. Departmental standards for recording transactions in the execution-level budgetary accounts are in Chapter 15. Priorities for researching and correcting disbursement transactions are in Chapter 11.

0802 COMMITMENTS

*080201. General

The term "commitment" is defined in Chapter 15, subparagraph 150202.A. The amount to be recorded as a commitment is the estimated procurement cost set forth in the commitment document. The date the commitment document is signed by an authorized official determines the accounting period in which the commitment is to be recorded. Officials may commit funds only to acquire goods, supplies, and services that meet the bona fide needs of the period for which Congress appropriated funds, or to replace stock used during that period. See paragraph 080303.A of this chapter for further bona fide need concepts that apply to commitments.

080202. Special Provisions for Determining the Amounts of Commitments

A. Contingent Liabilities Remaining under Outstanding Contracts. There are contingent liabilities for price or quantity increases or other variables that cannot be recorded as valid obligations in the cases of (1) outstanding fixed-price contracts containing escalation, price redetermination, or incentive clauses, or (2) contracts authorizing variations in quantities to be delivered, or (3) contracts where allowable interest may become payable by the U.S. Government on contractor claims supported by written appeals pursuant to the "Disputes" clause contained in the contract (see subparagraph 080202.D below). Amounts to cover these contingent liabilities should be carried as outstanding commitments pending determination of actual obligations. The amounts of such contingent liabilities, however, need not be recorded at the maximum or ceiling prices under the contracts. Rather, amounts should be committed that are estimated conservatively to be sufficient to cover the additional obligations that probably will materialize, based upon judgment and experience. In determining the amount to be committed, allowances may be made for the possibility of downward price revisions and quantity under runs. Each contingent liability shall be supported by sufficient detail to facilitate audit.

B. Letter Contracts and Letters of Intent. When accepted, a letter contract or letter of intent shall be recorded as an obligation, but only in the amount of the maximum liability stated. The maximum liability amount may be required by other regulations to be limited to the costs that the contractor may incur pending execution of a definitive contract. In that case,

the estimated amount of the definitive contract, over and above the obligation recorded under the letter contract or letter of intent, shall be carried as an outstanding commitment, pending execution of the definitive contract. If the letter stipulates that awarding of the definitive contract is dependent upon a congressional appropriation, then no funds are available to commit and no commitment may be recorded.

C. Open-end Contacts and Option Agreements. An authorization to incur an obligation under an open-end contract or option agreement (when neither the items nor quantities are specified, but are to be the subject of subsequent orders) shall be recorded as a commitment only when the amount estimated is reasonably firm. The existence of a specific dollar amount in the procurement directive or request does not make the dollar amount reasonably firm. Rather, the required quantities and the quality specification must have been determined by competent authorized personnel so that reasonable prices may be estimated. An example is a planning estimate for spare parts. While it is known that an initial complement of spare parts will be acquired, the specification and quantity still shall be determined. Experienced personnel can estimate an amount useful in planning, but this amount is not reasonably firm. The amount is recordable as a memorandum "initiation" (see Chapter 15), but not as a commitment.

D. Contract Amendments or Engineering Changes. An authorization to execute engineering change orders during the course of performance of a contract may be recorded as a commitment upon the basis of a stated cost limitation even though the scope and amount of such changes are not yet defined and require specific approval of the person authorizing the procurement (or another designee) before the execution of the change orders. In such circumstances, however, it may be necessary to revise the authorization (and the recorded commitment) in light of subsequent events, including change orders actually placed.

E. Intra-Governmental Requisitions and Orders. Intragovernmental requisitions and orders (such as DD Form 448, "Military Interdepartmental Purchase Request") shall be considered as commitments until validly obligated under the guidelines in section 0807 below.

F. Multiyear Contracts. Contingent liabilities for multiyear contracts that provide for cancellation charges, when it is necessary for the government to cancel the contract for reasons other than contractor liability, are not recorded as commitments. Any such cancellation charge must be recorded as an obligation when it becomes necessary to cancel the contract and the contractor is so notified.

* G. Commercial Purchase Cards. Commitments shall be established in advance in amounts no less than the periodic purchase limits authorized for commercial purchase cards. Commitments are used by an activity to ensure positive funds control and limit expenditures to funds available for the purchase card program. Separate commitments shall be established when the line of accounting is different. Advance reservations of funds are used in conjunction with purchases made using purchase cards. Advance reservations of funds are established by the resource manager (or equivalent), in conjunction with the assigned Purchase Card Program agency program coordinator (APC) and must be considered when setting office and cardholder purchase limits. The use of advance reservations of funds will ensure positive

funds control precluding expenditures from exceeding obligations. Refer to ***OMB Circular A-123 Appendix B*** and the ***DoD Government Charge Card Guidebook*** for additional guidance on purchase cards.

* H. Imprest Funds. Records as a commitment before funds are advanced to the imprest fund cashier.

0803 OBLIGATIONS

*080301. General

An obligation is legally binding agreement or action that will result in outlays, immediately or in the future. Funds that are not legally obligated before their period of availability expires are no longer available for new obligations. The period of availability applies to the obligation of funds, not the liquidation of the obligation by disbursement of payment (expenditure). Chapter 10 prescribes policy related to adjustments to obligations or expenditures chargeable to expired and cancelled accounts. Provisions of Chapter 15 and Volume 14, Chapter 1 require that funds be allocated to DoD Component activities before the activities incur obligations. Also, obligations may not be made in excess of apportionments or formal subdivisions of funds. The recording of obligations related to unmatched disbursements and negative unliquidated obligations is specified in Chapter 11. Unless otherwise specified, primary responsibility for recording obligations remains with the DoD Components. The guidance for recording obligations by the accounting office, when it does not have the primary responsibility for such recording, is contained in this chapter.

A. Ten-Day Rule. Obligations shall be recorded in the official accounting records at the time a legal obligation is incurred, or as close to the time of incurrence as is feasible. In no instance shall obligations be recorded any later than 10 calendar days following the day that an obligation is incurred (to include obligations incurred when invoices are overpaid or duplicate payments are made). Every effort shall be made to record an obligation in the month incurred. Notwithstanding the 10-day rule, obligations of $100,000 or more--per fund citation or accounting line on the obligation document--shall be recorded and included in the official accounting records in the same month in which the obligation is incurred. If an obligation is not recorded within the specified timeframe, the guidance in section 0813 shall be followed.

B. Responsibilities. The office that incurs an obligation shall provide, within 6 calendar days of the date the obligation is incurred, a copy of the obligating document(s), via electronic mail, fax, or other documented means, to the office responsible for recording the obligation. The office that is responsible for recording the obligation shall record the obligation in the official accounting records within 3 calendar days of receipt of such documentation, information, or data. Timely and accurate recording of obligations facilitates the disbursing officer's (DO) ability to verify fund availability before authorizing a payment (a process called prevalidation) and, consequently, promptly pay the associated invoice.

080302. When to Record Obligation

An amount shall be recorded as an obligation only when supported by documentary evidence of the transaction. A verbal order or agreement shall be reduced to writing before the obligation may be recorded. When the amount is not known or cannot be ascertained feasibly at the time that it is to be recorded, the best estimate shall be used. The best estimate should be based on a thorough analysis of the transaction that actually occurred.

080303. Recording Obligations

When recording obligations under this section, utilize the principles specified below.

* A. Contracts or Orders for Goods, Supplies, or Services to Meet Bona Fide Need. DoD Components shall determine that the goods, supplies, or services required under contracts entered into, or orders placed obligating an annual or multiple-year appropriation, are intended to meet a bona fide need of the period for which funds were appropriated. Such determinations shall consider estimated current consumption, the requirements that may be foreseen for future years based upon the procurement lead time, authorized stock levels, and authorized mobilization reserves. If, however, a provision of law makes such appropriations available for payments under contracts for specified services for periods beyond the period for which the appropriation otherwise is available, the contract for such services extending into the ensuing period (e.g., fiscal year) may be charged to the appropriation current at the time that the contract is signed. Obligate funds for each option period after funds become available. Obligations must be consistent with all normal limitations on the obligation of appropriated funds, e.g., bona fide needs rule, period of availability, and type of funds.

* B. Performance Under Contracts or Orders. Contracts entered into or orders placed for goods, supplies, or services shall be executed only with bona fide intent that the contractor (or other performing activity) shall commence work and perform the contract without unnecessary delay. For standard commercial items readily available from other sources, the bona fide needs rule cannot be satisfied based on the delivery, production or manufacturing lead time exception to the bona fide needs rule if the materials were obtainable by another source before funds expired. See Volume 11A Chapter 2, paragraph 020508 and Volume 11A, Chapter 18, paragraph 180302.A.1. If the contractor is directed to withhold delivery until after the lead time then there is not a bona fide need for the item in the current fiscal year and funds for the next fiscal year must be used.

* C. Service Contracts. Services are generally chargeable to the appropriation current at the time the services are rendered. The determination to charge the appropriation current on the date the contract is let, or to charge the funds current at the time services are rendered, depends upon whether the services are “severable” or “entire.” A contract which is considered entire is charged to the fiscal year current when it was let, even though performance may extend into the next fiscal year. On the other hand, service contracts that are considered severable must be charged to the fiscal year in which the services are rendered. Service contracts which are severable may not cross fiscal years, in the absence of statutory authority. There is no precise formula or rule that determines whether a contract is severable or entire. Each case must be determined by the terms and circumstances involved.

1. Severable Services. Service contracts can be for either a single undertaking or end item (entire) or for performance with compensation fixed in proportion to the amount of service performed (Absent a statutory authority, the term of a severable service contract that is funded by annual appropriations will not extend beyond the end of the FY current at the time the contract is awarded except when authorized by law. Option years are treated as new contracts. Therefore, when the severable service contract has renewal options, obligate funds for the basic period and any penalty charges for failure to exercise options. ***10 U.S.C. 2410a*** is a statutory authority that permits the full obligation of severable service contracts that begin in one fiscal year and end in the next, provided the contract period does not exceed one year. The contract period for performance of severable services must begin during fund's period of availability and may not exceed the fund's period of availability, absent statutory authority.

2. Non-Severable Services. Non-severable services contracts (such as services to produce a single or unified outcome, product, or report) are "entire" and must be funded entirely with appropriations available for new obligations at the time the contract is awarded, and the period of performance may extend across fiscal years.

3. Training Contracts. Contracts for single training courses are considered a single undertaking (entire). Record the obligation at the time the contract is executed for the full amount of the contract. In general, the training represents a single undertaking where benefit of the training is received when the employee has completed the training in full. Training contracts shall be obligated in full with the fiscal year money current at the time the contract is executed even though the course extends into the next fiscal year. Training courses that begin on or after 1 October may constitute a bona fide need of the prior year if the need for training is an immediate need in the prior year and if the commencement of the course in the next fiscal year is beyond the agency's control. The time between award of the contract for the training and performance the training should not be excessive.

* D. Specific Guidelines for Maintenance and Repair Projects. Current fiscal year appropriations may be obligated for those maintenance and repair contracts awarded near the end of the fiscal year, even though contractor performance may not begin until the following fiscal year. The contract shall satisfy a bona fide need that exists in the fiscal year of the appropriation to be charged. In addition, contracts awarded near the end of the fiscal year shall contain a specific requirement that work begin before January 1 of the following calendar year. Guidelines for the administrative contracting officer to use in determining the commencement of work are as follows:

1. Physical Onsite Evidence. A visual inspection of the work site discloses significant work has been accomplished, or contractor employees actually are engaged in work performance. (No further verification is necessary.)

2. Documentary Evidence. If physical onsite evidence of performance does not exist, and to prevent unwarranted default proceedings, the contractor may be requested to produce documentary evidence that cost has been incurred or material has been ordered to allow performance of the contract.

* E. Contractor Default. In the event of contractor default and termination for default of the contract, the funds cited on the defaulted contract may be cited again on the replacement contract. The contract shall satisfy the following general criteria to be considered a replacement contract, as opposed to a new contract: The replacement contract shall be made without undue delay after the termination of the original contract: Its purpose shall be to fulfill a bona fide need that has continued from the original contract, and the replacement contract shall be awarded on the same basis and be substantially similar to the original contract in its scope and size. Reprocurement or completion costs, liquidated damages, and performance bond money recovered from the contractor as refunds may also be retained and applied to the replacement contract's specific appropriation. Amounts recovered that exceed the actual costs of the replacement contract must be deposited as miscellaneous receipts. See Chapter 10 for reprocurements involving expired funds.

080304. Specific Guidelines for Determining Scope of Work Changes

* A. Responsibilities for Making Determinations. The contracting officer is primarily responsible for determining whether a change is within the scope of a contract. In making such a determination, the contracting officer shall be guided by appropriate provisions of the ***Federal Acquisition Regulation (FAR)***, the ***DoD FAR Supplement***, legal principles applicable to scope changes, and the provisions of this Regulation. In cases where no clear cut determination can be made by the contracting officer, the cognizant counsel shall provide appropriate guidance and determinations concerning the scope of a contract.

B. Standards for Making Determinations. Statutes and DoD policies for the use of appropriations limit the period of availability to fund new obligations. Unobligated balances, however, which have expired for the purpose of new obligations, are available to fund within scope cost growth or increases in costs arising from claims arising out of the original obligation. This paragraph sets standards for determining if cost growth or a price increase is within scope. The baseline scope of a contract is all work that is contracted for prior to the expiration of funds. This includes changes incorporated by modification -- provided that they are within the scope of the contract.

C. Increases in Quantities. Changes in the quantity of the major items called for by a contract generally are not authorized under the "Changes" clause. Therefore, a change that increases the number of end items ordered on a contract is a change in the scope of the contract and would have to be funded from funds available at the time the change is made. For example, if the original contract provided for delivery of 50 items and a modification was issued to provide for the delivery of 70 items, the additional 20 items would represent a change in the scope of the contract. Thereafter, cost growth, or claims arising out of the delivery of the first 50 items, would be funded from the appropriation available at the time of the order of those items, and those arising out of the additional 20 items would be funded from the appropriation charged for those items. The foregoing applies in general; however, changes in the quantity of subsidiary items under a contract, such as spare parts, generally are considered to be within the scope of a contract unless they are so significant that they alter the basic contractual undertaking.

* D. Increases in Required Levels of Service Performance. Any modification of a service contract that changes its scope by requiring additional deliverable services, is a change in the scope of the contract. Such changes shall be funded by appropriations available at the time that the change is made. For example, modification of a contract for accounting and audit services to a government agency is made to add a requirement for on-site technical assistance and training to grantees of the agency on financial management systems. Such a modification would be beyond the scope of the original contract, and would have to be funded from funds available at the time the additional requirement was added to the original contract. See paragraph 080511 and Chapter 10 for additional policy for determining whether a contract modification involves a change in scope that must be recorded as a new obligation for additional work, or is a within scope contract change under Section 1553(c)(3) of title 31, U.S.C. that is recordable as an adjustment to the original obligation. An increase in the number of people needed to complete the original contract, or to their level of expertise, would be a within scope cost growth change that could be funded as part of the original contract.

1. A modification of a contract to provide research and development for a new weapons system that is designed to meet a specified area of threat, and reach given levels of performance could be beyond the scope of the original contract. If, however, the "Changes" clause specifically authorizes unilateral changes within the scope of the contract (e.g., in specifications, drawings, and designs pertaining to the contract), then, the mere fact that there may be a change in the specifications regarding levels of performance or specifications regarding threats does not, thereby, automatically result in a change in scope. An increase in the number of people assigned to the project, or increased costs due to travel increases would be cost growth that would be within scope and could be funded as part of the original contract.

2. A modification of a cost type level of effort contract for a specified number of hours to be worked by personnel with a specific level of experience and training which calls for a change in the specified number of hours to be worked or the level of experience and training could be a change in the scope of the original contract. An increase, however, in direct or indirect rates under the contract would be cost growth that would be within scope and could be funded as part of the original contract.

E. Claims. As reflected in subparagraph 080304.C, above, claims arising out of an original undertaking, or resulting from a within-scope change, would be funded from the appropriation available at the time of the original undertaking. Claims arising out of a change-in-scope change to the original contract would be funded from the appropriation available and charged for the change-in-scope change.

F. Judgment Fund. ***Title 31, United States Code, section 1304*** and ***Title 41, United States Code, section 612*** provide that monetary judgments under the Contract Disputes Act of 1978, as amended, which are awarded by the Armed Services Board of Contract Appeals (ASBCA) or the Court of Federal Claims, are paid by the Department of the Treasury from the permanent, Judgment appropriation "Judgment Fund": Claims for Contract Disputes (Treasury Symbol 20X1743). After such payment, the affected DoD Component is required to reimburse the Judgment Fund. As provided for under the Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002 (No FEAR Act) (***5 U.S.C. 2301***) DoD

Components must also reimburse the fund for payments of judgments, awards, or settlements with respect to discrimination and whistleblower protection cases. No FEAR claims are paid from the Treasury Symbol 20X1741. The following shall be followed when reimbursing the Judgment Fund.

* 1. The affected DoD Components first must determine what appropriation(s) originally funded the portion of the contract that led to the claim and subsequent judgment. Second, the Judgment Fund be reimbursed with funds available for the same purpose that were current at the time of the judgment provided by ***Title 41, U.S.C. 612***. Expired appropriations that were current at the time of the judgment should be used to reimburse the Judgment Fund. If insufficient unobligated balances exist in the expired appropriation or the account has closed, use authority of Title 31, U.S.C. 1553 to charge the current appropriation available for the same purpose or obtain a special supplemental appropriation from Congress. If more than one appropriation is involved in the monetary judgment, then the reimbursement is prorated against those appropriations. Any proration between or among appropriations must be based on the nature of the claim and the basis of the monetary judgment in the particular case. Record obligations against current funds at the time the awards are made by the deciding official or by the court. Within 15 business days after paid claim confirmation, the Treasury Judgment Fund Branch sends a letter to the responsible DoD Components point of contact requesting reimbursement. Within 30 days of receipt of notice for reimbursement, the responsible DoD Component must repay Treasury Financial Management Service (FMS) or contact FMS to make payment arrangements. If the DoD Component fails to respond within 60 business days of the first demand letter and second demand letters, FMS will send a letter to the USD(C) Chief Financial Officer (CFO). The letter is sent quarterly to the USD(C)/CFO along with a statement summarizing the outstanding CDA amounts due to the Treasury. Component quarterly balances are posted at the following website ***http://fms.treas.gov/tma/contract.html***.

* 2. Reimbursement to the Department of the Treasury is not an antecedent liability of the original contract. Therefore, reimbursements shall not be charged back to the original fiscal year appropriation that funded the contract, unless the original appropriation was still current at the time of the judgment. Further, the existence of the legal requirement to reimburse the Judgment Fund does not give rise to a violation of the ***Antideficiency Act***.

3. In all official accounting and reporting systems, a separate and unique Sub-Activity Group (SAG) or P-1/R-1 designator shall be assigned for the recording and reporting of such reimbursements. This SAG or P-1/R-1 designator shall be identified as a separate line on the Appropriation Status by Fiscal Year Program and Subaccounts (DD Comp (M) 1002). This new line of accounting is to be called "Judgment Fund Reimbursement." Funds shall be reprogrammed into this new line from existing allocated funds within the appropriation. These reprogrammed funds are not subject to normal reprogramming rules with respect to the increase, but shall conform to reprogramming guidance governing delegated authority for program reductions.

4. Upon identification of funds to be charged and completion of any reprogramming actions, the documented package shall be forwarded to the DFAS site that has accounting responsibility for the designated fund accounts to process the payment. Ordinarily, a

miscellaneous obligation document shall be used to obligate the designated fund accounts. If, however, programming actions have reserved funds, the DFAS may be authorized to process the payment as an obligate-expend transaction. The DFAS can process the transfer of funds for the payment to the Department of the Treasury's Judgment Fund, using the Intra-Governmental Payment and Collection (**IPAC**) system.

5. Approval authority is required from the cognizant Assistant Secretary of the Military Department (Financial Management and Comptroller) or Defense Agency Comptroller for all Judgment Fund Reimbursements to the Department of the Treasury in excess of $1,000,000.00.

* 6. For No FEAR Act judgments, obligate the amount required to reimburse the Judgment Fund, out of the appropriation, fund or other account available for operating expenses of the DoD Component to which the discriminatory conduct involved is attributable. The No FEAR Act claims are obligated based on Treasury notice to the Department, which is within 15 business days after payment for the claim from the fund, as provided in ***5 CFR 724***. Within 45 business days of being notified, agencies are required to reimburse the Judgment Fund or work out a payment arrangement with Treasury The Financial Management Service (FMS) of the Department of Treasury provides written notice to the USD(C) Chief Financial Officer (CFO) within 15 business days after payment from the Judgment Fund. Copies of the letters are sent to the Deputy CFO, Chief Counsel, and reimbursement point of contact. DoD Component quarterly balances are posted at the following website ***http://fms.treas.gov/tma/fear-act.html***. Within 45 business days of receiving the FMS notice, DoD Components must reimburse the FMS or contact FMS to arrangements. If a DoD Component fails to meet this requirement FMS will annually post on their public website (***http://fms.treas.gov/judgefund/noncompliance2008.html***) the DoD Components that are delinquent.

*080305. Recording obligations for Commercial Purchase Cards

Record obligations for Commercial Purchase Cards in the amounts placed for orders placed for goods or services.

0804 TRIANNUAL REVIEWS OF COMMITMENTS, OBLIGATIONS, ACCOUNTS PAYABLE AND ACCOUNTS RECEIVABLE

*080401. Triannual Reviews of Commitments, Obligations, Accounts Payable and Accounts Receivable.

The Triannual Review process is an internal control practice used to assess whether commitments and obligations recorded are bona fide needs of the appropriations charged. Fund Holders, with assistance from supporting accounting offices, shall review dormant commitments, unliquidated obligation, accounts payable and accounts receivable transactions for timeliness, accuracy, and completeness during each of the four month periods ending on January 31, May 31, and September 30 of each fiscal year.

A. Review of Commitment and Unliquidated Obligation transactions. Fund holders review and validate commitments and obligations as transactions occur. For purposes of this chapter, commitments and obligations are defined as dormant if no obligations, adjustments, contract modifications, disbursements, or withdrawals occur within a 120 day period. Additionally, commitments and obligations are defined as dormant in the case of contracts that are physically complete and for which the period of performance has expired (hereinafter, "dormant contracts"). For dormant contracts, which have been physically complete for 12 months or more and have remaining funds of less than $1,000.00, the accounting office will deobligate the funds based on a written consent from the funds holder and contracting officer. A physically completed contract is defined in ***FAR 4.804-4***. Also, unliquidated obligations for Firm Fixed Price (FFP) contracts with an expected delivery date beyond the review period are considered current for that particular review period. "Current", defined for this chapter, is having changes in the status for commitments, obligations, disbursements or contracting activity during the last 120 day period. Fund Holders are DoD officials that receive a documented administrative subdivision of funds including apportionments, allocations, suballocations, allotments and suballotments through their funding chain of command or from other government departments, agencies and activities holding an administrative subdivision of funds. Fund Holders are to ensure that obligations and commitments are valid for current transactions by validating them as transactions occur. The requirement for review of commitments and obligations applies to all appropriations and funds of all DoD Components. This requirement applies not only to direct appropriations, but also to all reimbursable transactions, as well as the Department's revolving and trust funds.

B. Review of Accounts Payable transaction. Volume 4, Chapter 9 prescribes policy for recognizing, reviewing and accounting procedures that must be followed for the proper management of Accounts Payable. The Triannual Review must include the review of Accounts Payable to certify that payable transactions conform to the management requirements for proper financial management oversight. The review should include ensuring that recognition of the payables have been deemed a payable liability upon receipt of services or when accepting title of goods, whether delivered or in-transit. Further, the accounting office will review and reconcile the accounts payable balances for both account payable, and for accounts payable from canceled appropriations, to their specific accounts payable subsidiary ledgers and certify their accuracy. Also, the Triannual Review will ensure that the ***United States Standard General Ledger (USSGL) Standard Financial Information Structure Transaction (SFIS) Library*** has been adhered to for recording the proprietary and budgetary transactions. All provisions of Volume 4 Chapter 9 must be conformed to and confirmed as part of the Triannual Review. Large outstanding accounts payable balances indicate that additional managerial focus is required prior to consideration of cancelling a payable. Responsibility for management of accounts payable does not end simply because the associated appropriation cancels. Financial and program managers at all activities must actively review payables prior to cancellation to ensure that invalid balances do not cancel. For accounts payable deemed valid at cancelation, this review must continue indefinitely until the canceled accounts payable either are cleared via payment of a valid invoices, or the balances deemed invalid and reversed. See Volume 3, Chapter 10 for expired and canceling accounts policy.

C. Review of Accounts Receivable transactions. Volume 4, Chapter 3 prescribes definitions, policy and procedures for accounting for Public and Intragovernmental Accounts Receivables. Also the chapter provides guidance for Reporting Receivables Due from the Public and reporting Receivables in the DoD Audited Financial Statements. The Triannual Review must include the review of Accounts Receivables to certify that receivable transactions conform to the management requirements for proper financial management oversight as prescribed in Volume 4, Chapter 3. Large outstanding balances indicate that additional managerial focus is required prior to cancellation. Financial and program managers at all activities must actively review receivable and ensure that provisions for disputed receivables are adjudicated in conformance with this chapter.

D. Review of Overseas Contingency Operations Costs. The DoD must ensure credibility, reliability, transparency and timeliness in reporting Overseas Contingency Operations Costs (OCOC) (formerly the Global War on Terrorism Contingency Operations). Therefore, the Triannual Review certification document should also include the following statement related to obligations for contingency operations: "I affirm that, as of (date), (number) % of obligation transactions for known contingencies and related documents for the Triannual period ending (date) were verified to be properly captured, classified, recorded and reported as Overseas Contingency Operations Costs or other special designated contingency operations obligations."

E. Interagency Agreements with Non-Department of Defense Entities. These agreements must be included in the Triannual Review. Chapters 3 and 18 of Volume 11A require activities to reconcile obligations and order performance in order to identify and coordinate the deobligation or return of expiring, expired or excess funds.

*080402. OUSD(C) Triannual Review Goals

The goal in performing the Triannual Review is to increase DoD Component's ability to use available appropriations before they expire and ensure remaining open obligations are valid and liquidated before the cancellation of the appropriation,. The Triannual Reviews should be particularly rigorous in reviewing commitments and obligations of appropriations prior to their expiration. Attaining the Triannual Review goal is contingent on effective integration and synchronization of the Funds Holder (Resource Manager), Accounting, Program Management, Contracting Officers, and Acquisition/Logistics functions during each Triannual Review process. The responsibility for successfully completing the Triannual Review is a collaborative effort. The integrating of all the stakeholders into the review process will allow for an effective review of commitments, obligations, contracts, and all fiscally related requirements.

*080403. Responsibilities of Accounting Offices

A. Accounting offices shall provide fund holders with listing(s) or automated media identifying both dormant commitments and unliquidated obligations recorded for the funds holder. The accounting office also shall provide listing(s) or automated media identifying accounts payable and accounts receivable which enable the funds holder to verify proprietary accounts (as well as budgetary accounts) and, thus, ensure that proprietary and budgetary

accounts are valid, accurate and reconciled. The transaction media must be such that the review can be documented and individual transactions can be annotated if the review reveals further action is required.

B. If requested, the accounting office shall assist fund holders in the conduct of their reviews by: (1) assisting in the identification and organization of transaction groupings in such a manner so as to facilitate the review by different segments of the funds holder's organization; (2) assisting in the identification and correction of situations that may delay the recording of commitments or obligations, or the matching of disbursements to obligations; and (3) entering corrections identified by the funds holder when such corrections are adequately documented and the entry of such transactions is the normal function of the accounting office.

* C. The accounting office shall identify dormant commitments and unliquidated obligations eligible for closeout by the paying office as contracts that are physically complete and for which the period of performance has expired (hereinafter, "dormant contracts") For dormant contracts, which have been physically complete for 12 months or more and have remaining funds of less than $1,000.00, the accounting office will deobligate the funds based on a written consent from the funds holder and contracting officer. It is the responsibility of the Contracting Officer to send notification to the Accounting Office, Program Office, and Funds Holder that a contract is complete and no further valid transactions will be forthcoming. The procedures specified in this paragraph, 080403.C, shall not apply to dormant contracts administered by the Defense Contract Management Agency (DCMA). The deobligation procedures for DCMA administered contracts will follow the DCMA Instruction and Guidebook.

*080404. Responsibilities of Fund Holders.

Fund Holders, as defined in 080401, are responsible for conducting reviews of dormant commitments and unliquidated obligations (to include accounts payable and accounts receivable), irrespective of whether the funds holder or the accounting office actually records the commitments or obligations in the official accounting records. This responsibility is placed on the funds holder because the funds holder initiates those actions that result in commitments and obligations and, therefore, is in the best position to determine the accuracy and the status of such transactions. The funds holder shall accomplish the following minimum reviews no later than 14 working days following the end of January and of May, as well as by September 30 of each fiscal year.

A. Review Dormant Commitments for Investment Appropriations (Procurement; Research, Development, Test and Evaluation; Military Construction; Investment-Type Portion of the Foreign Military Sales (FMS) Trust Fund; and the Capital Budget of the Defense Working Capital Funds (WCF)). Each outstanding commitment of $200,000 or more shall be reviewed using the guidelines specified in paragraph 080406, below, to determine if: (1) the requirement is still valid, (2) the amount of the commitment is accurate, and (3) the commitment has been converted to an obligation and should be recorded as an obligation in the official accounting system. The office that initiated the requirement that led to the commitment shall be required to participate in the review.

B. Review Dormant Commitments for Operating Appropriations (Operation and Maintenance, Military Personnel, Revolving Funds, Trust Funds Including the Operating-Type Portion of the FMS Trust Fund, the Operating Portion of the Defense WCF, and Other Appropriations/funds, as Appropriate). Each outstanding commitment of $50,000 or more shall be reviewed using the guidelines specified in paragraph 080406, below, to determine if: (1) the requirement is still valid, (2) the amount of the commitment is accurate, and (3) the commitment has been converted to an obligation and should be recorded as an obligation in the official accounting system. The office that initiated the requirement that led to the commitment shall be required to participate in the review.

C. Review Dormant Unliquidated Obligations for Investment Appropriations (Procurement; Research, Development, Test and Evaluation; Military Construction; Investment-Type Portion of the FMS Trust Fund; and the Capital Budget of the Defense WCF). Each dormant obligation of $200,000 or more shall be reviewed using the guidelines specified in paragraph 080406, below, to determine if: (1) the recorded obligation amount is accurate, (2) the unliquidated amount is valid, and (3) for goods and services received or provided, accrued expenditures or accrued earnings are reconciled with related accounts payable and accounts receivable accounts. If, based on the receipt of good or services, it appears that an outlay transaction should have been received but is not recorded; the paying/collecting office shall be contacted to determine the status of the transaction. The office that initiated the requirement that led to the obligation shall be required to participate in the review.

D. Review Dormant Unliquidated Obligations for Operating Appropriations (Operation and Maintenance; Military Personnel, Revolving Funds; Trust Funds Including the Operating-Type portion of the FMS Trust Fund; the Operating Portion of the Defense WCF; and Other Appropriations/funds, as Appropriate). Each dormant unliquidated obligation of $50,000 or more shall be reviewed using the guidelines specified in paragraph 080406, below, to determine if: (1) the recorded obligation amount is accurate, (2) the unliquidated amount is valid, and (3) for goods and services received or provided, accrued expenditures or accrued earnings are reconciled with related accounts payable and accounts receivable accounts. If, based on the receipt of goods or services, it appears that an outlay transaction should have been received but is not recorded; the paying/collecting office shall be contacted to determine the status of the transaction. The office that initiated the requirement that led to the obligation shall be required to participate in the review.

E. Annual Review Requirements. All commitments and obligations shall be reviewed, whether current or dormant, at least annually in order to substantiate the year-end certification requirements. Fund holders will initiate actions to resolve unliquidated commitments and obligations as appropriate.

*080405. Responsibilities of the Assistant Secretaries of the Military Departments (Financial Management and Comptroller) and Comptrollers of the Defense Agencies and DoD Field Activities

The Assistant Secretaries of the Military Departments (Financial Management and Comptroller), and Comptrollers of the Defense Agencies and DoD Field Activities shall

implement effective internal controls to ensure that the required reviews and identified corrective actions are completed in a timely manner. Fund holders shall establish aging criteria for identifiable groups of transactions that are based on the normal historical cycle for such transactions. For example, contract commitments should be reviewed once the normal time frame for contract award has elapsed. This may be longer than the normal cycle time for a purchase order. The same is true for obligation transactions. Purchase order delivery time frames normally would be shorter than the delivery time for a major weapons system procurement contract. The criteria for each group of transactions shall be documented and made part of the review documentation.

*080406. Documentation

A. All required deobligations, adjustments or corrections identified during the review shall be documented and processed within 10 working days of their identification by the responsible individuals. Deobligations may result from a contract modification, determination of final contract closure, documented adjustments or corrections, cancellation of an order, or a Fast Track closure. No action, however, shall be taken to modify, cancel, or amend a contract or travel order below any amount that is identified as due and owing a contractor, vendor, or traveler. It is the Funds Holder's responsibility to identify such amounts upon notification by the accounting office that action will be taken.

* B. In carrying out the deobligation responsibilities set forth in paragraph 080403.C, the accounting office shall provide the respective contracting officers with the contract number, notice of final payment and the remaining balance for each dormant contract with remaining funds of less than $1,000.00. Such information shall be provided in a manner that will allow the contracting officer to consent simply by annotating and returning the information to the accounting office for further processing without a contract modification. The accounting office shall maintain a copy of the Fund Holder's consent for audit purposes and in a manner consistent with applicable record keeping requirements.

C. The Component level comptroller/fiscal officer of an activity or office that has been issued a formal subdivision of funds carrying Antideficiency Act responsibility (see Volume 14, Chapters 1 and 2) shall complete a formal signed confirmation statement attesting to the accomplishment of the review and the accuracy and completeness of the recorded amounts. The review documentation and the confirmation statement shall be completed within 21 working days following January 31 and May 31, and by September 30 of each fiscal year. The written confirmation statement shall:

1. Confirm that all dormant commitments recorded in the system have been validated to a paper or an electronic data interchange (EDI) representation source document.

* 2. Confirm that all dormant unliquidated obligations recorded in the system have been validated to a hardcopy or an EDI source document. This requirement includes the formal research of potential duplicate or otherwise erroneous obligations and the

deobligation of confirmed duplicate or otherwise erroneous obligations to make the associated funds available for reuse prior to expiration.

3. Confirm that all dormant accrued expenditures unpaid have been validated to an accounts payable record or an EDI source document.

4. Confirm that all reimbursements and other income earned have been validated to an accounts receivable record or an EDI source document.

5. Confirm that adequate follow up was conducted on all dormant commitments over 120 days old to determine if the requirement is still valid, or if an obligation document has been issued but not received or properly recorded.

6. Confirm that adequate follow up has been conducted on all dormant obligations over 120 days old to determine if the obligation is still valid.

7. Confirm that adequate follow up was conducted on all dormant accrued expenditures and earned receivables over 120 days old to determine if a disbursement or collection requires recording or matching.

8. Confirm that all miscellaneous obligation documents, travel orders, and supply requisitions recorded in the system for more than 180 days have been deobligated, unless there is supporting documentation from the funds holder attesting to the purpose and validity of the obligation.

9. Confirm that all commitments that could not be substantiated or validated after a thorough review by the funds holder have been decommitted.

10. Confirm that all obligations that could not be substantiated or validated after a thorough review by the funds holder (and/or the accounting office) have been deobligated.

11. Confirm that reviews of dormant obligations include reviews of problem disbursements and in-transit disbursements.

* 12. Affirm on the confirmation statement that, "As of (date), (number) % of obligation transactions for known contingencies and related documents for the Triannual period ending (date) were verified to be properly captured, classified, recorded and reported as Overseas Contingency Operations Cost (formerly Global War On Terrorism Contingency Operations) or other special designated contingency operations obligations."

* 13. Confirm that existing interagency agreements with open balances have been reviewed to ensure that expiring, expired or excess funds are identified for purposes of undertaking deobligation actions required by Volume 11A, Chapters 3 and 18.

14. Identify problems noted as a result of the review.

15. Advise whether, and to the extent, which adjustments or corrections to remedy noted problems have been taken.

16. Summarize, by type, the actions or corrections remaining to be taken, and when such actions/corrections are expected to be completed.

17. Identify what actions have been taken to preclude identified problems from recurring in the future.

* 18. Certify that recognition of the Accounts Payables have been deemed a payable liability upon receipt of services or when accepting title of goods, whether delivered or in-transit. That Accounts Payable balances are accurate and have been reconciled to the accounts payable ledger. That Accounts Payables are recorded to the applicable United States Standard General Ledger (USSGL) accounts for recording the proprietary and budgetary transactions.

* 19. Certify that recognition of the Accounts Receivables policy and procedures for accounting for Public and Intragovernmental Accounts Receivables have been adhered to and that Reporting Receivables Due from the Public and reporting Receivables in the Department of Defense Audited Financial Statements are correctly stated.

* 20. Provide specific attestation that all existing interagency agreements with Non-Department of Defense entities are consistent with DoD policy.

080407. Retention of Supporting Documentation

Fund Holders are required to maintain, for a period of 24 months following the completion of the review, documentation that is sufficient to permit independent organizations, such as the Office of the Inspector General, DoD, or the DoD Component Audit Agency/Service or Inspector General, to verify that the reviews were accomplished as required.

*080408. Confirmation Statements

Within 45 working days following the end of January, May and September each fiscal year, the Assistant Secretaries of the Military Departments (Financial Management and Comptroller) and the Comptrollers of the Defense Agencies shall provide confirmation statements to the Director for Program and Financial Control, Office of the Deputy Comptroller (Program/Budget), Office of the Under Secretary of Defense (Comptroller). The Confirmation Statement, and all Triannual Review documents, should include the name, email address, office symbol and telephone number (both commercial and DSN) of the Certifying Official. These confirmation statements must (1) confirm that the required commitment and obligation reviews have been conducted; (2) confirm that all known obligations have been recorded; and (3) identify the internal controls used to ensure that the detail reviews were conducted. In addition, the confirmation statement will identify by organization and individual, any funds holder that was unable to complete the required review or confirm the accuracy of the reported commitments and obligations and provide a full explanation of and any corrective action taken.

*080409. Automated Tools Supporting the Triannual Review

Components are encouraged to adopt automated tools to support the Triannual Review. Several tools are available that track duplicate obligation documents; certification requirements as well as commitment and obligation status. Automated tools should be evaluated by the Components for possible savings in cost, time and enhanced accuracy of the review process.

*080410. Due Diligence

Fund Holders are responsible for ensuring that funds appropriated or allocated to them are used consistently with the intent for which the funds were provided.

A. Fund Holders should document obligations and deobligations to reflect completion of investigation through analysis and review of the requirement and all relevant financial records. Research and documentation should be sufficient to provide reasonable assurance that the assets under management can be audited and that prudent and reasonable efforts have been performed to assure the public's trust. Degrees of due diligence are reflective of the risk imposed by an action.

B. Fundamental to being a Funds Holder is practicing sound fiscal management that comports with Office of Management and Budget and the DoD Financial Management Regulation requirements. Fund Holders should exercise due diligence in committing, obligating, decommitting, and deobligating funds appropriated by Congress for the DoD mission. Attaining due diligence is contingent on the effective integration and synchronization of the mission stakeholders including Funds Holder, Accounting, Program Management, and Acquisition/Logistics into a collaborative effort. Due diligence consists of implementing prescribed business practices and oversight of the documents for which they are responsible. Due diligence is the development and maintenance of documentation that includes contract, invoice, disbursement, task monitor notes, correspondence, and all supporting information available to determine compliance with the provisions of this chapter. The following is a checklist to follow for due diligence compliance:

1. Internal control systems are adequate.

2. Information is reliable and valid.

3. Applicable laws, regulations, and policies are followed.

4. Resources are safeguarded and managed economically and efficiently.

5. Desired program results are achieved.

6. Operations are effective and efficient.

7. Funds Holder, Contracting Officer and Program Manager should collaborate in reviewing commitments and obligations to determine if they are still valid, if goods and services are outstanding and if the funding level is sufficient to support the bona fide need.

8. The requirement should be reviewed to ensure that excess funding be withdrawn prior to the expiration of the appropriation for use on bona fide need requirements.

9. Documentation should be maintained showing the level of review; determining factors and resultant actions reflecting the due diligence performed by the Funds Holder. Documentation levels should be in accordance with DoD policy; DoD Inspector General guidelines and generally accepted accounting practices.

10. Documents should reference databases, contacts, references, contracting actions and other tools used to determine due diligence prior to taking action for decommitment or deobligation.

*080411. Reimbursable Funding Roles and Responsibilities

Funds provided from a granting to performing organization are subject to the same scrutiny as all other appropriations. Both the granting and performing organizations must review the status of the reimbursable funds utilizing the same level of criteria and oversight as all appropriated funds. Components should also review Reimbursable Orders for conformance with the Economy Act. Non-Economy Act orders should be reviewed to ensure that the interagency agreements (Memorandums of Agreement/Service Level Agreements) are consistent with DoD policy.

0805 RECORDING OBLIGATIONS FOR COMMERCIAL PROCUREMENT CONTRACTS AND ORDERS

080501. Firm Fixed-Price Contract

When the contract is executed, an obligation shall be recorded for the total amount stated in the contract.

080502. Fixed-Price Contract With an Escalation, Price Redetermination, or an Incentive Provision

When the contract is awarded, an obligation shall be recorded for the amount of the target or billing price stated in the contract, even though the contract may contain a ceiling price in a larger amount. Subsequently, a target or billing price should be adjusted (upward or downward) to a “best-cost estimate” whenever it is determined that, and documentary evidence supports, the actual cost of the contract will differ materially from the original target or ceiling price stated in the contract.

*080503. Cost-Reimbursement and Time-and-Material Contracts

Cost-reimbursement and time-and-material contracts include: cost, cost-sharing, cost-plus-fixed-fee, cost-plus-incentive-fee, cost-plus-award-fee, time-and-material, and labor-hour contracts. When the contract is executed, an obligation shall be recorded. The amount of the obligation is the total estimated payment provided by the contract's funded ceiling, including the fixed fee in the case of a cost-plus-fixed-fee contract, the target fee in the case of a cost-plus-incentive-fee contract, or the base fee in the case of a cost-plus-award-fee contract. The amount recorded shall be increased or decreased by amounts provided by contract amendments, or a unilateral revision of an award fee estimate made by the contracting office. Any fee awarded in excess of the target fee in a cost-plus-incentive-fee contract shall be recorded as an obligation at the time the determination to award the larger fee is provided to the contractor. The amount of the obligation established for a cost-plus-award-fee contract shall be adjusted at the time the actual fee award amount is determined and the contractor notified or, if applicable, a provisional award fee payment is determined (see DFARS 216.405-2). In any of these cases, if the contract is incrementally funded, the amount obligated shall always be the funded increments.

*080504. Indefinite-Delivery Type Contracts

Where the quantity required under a contract is indefinite, the ultimate amount of obligation is determined by subsequent orders; the amount of any required minimum order specified in the contract, however, shall be recorded as an obligation upon execution of the contract. For contracts that require the contractor to perform unilaterally placed orders above the required minimum, record an obligation in the amount of the order price or ceiling at the time the order is placed. An order in excess of the required minimum that has to be negotiated or accepted by the contractor under terms of the contract shall be recorded as an obligation upon contractor's acceptance of the order in the amount of the agreed price or ceiling. In the case of orders for services where a contractor cannot undertake performance without direction from an authorized Government official, order amounts may be a consolidated periodically (at least monthly) into a list of orders placed with the contractor identifying the estimated dollar amount of each. On definite-quantity contracts, obligate the full amount of the definite quantity at the time of contract award.

080505. Contract Authorizing Variations in Quantities to be Delivered

When the contract is executed, an obligation shall be recorded for the price of the quantity specified for delivery, exclusive of the permitted variation. The amount recorded may be increased or decreased to reflect the quantity actually delivered and accepted.

080506. Multiyear Procurement Contract

An obligation for a multiyear procurement contract shall be recorded in the amount of the price of the quantities specified for delivery under the requirement for the first program year, and the amount shall be identified with that program year. Unless the contract is funded fully at inception, each time the contractor is notified that funds are available to cover another program year requirement, an obligation shall be identified with that program year and recorded in the

amount of the price of the quantities specified for delivery. If the contract is canceled, an obligation shall normally be charged to the program year current at the time of cancellation to cover the government's liability under the terms of the contract.

080507. Letter Contract or a Letter of Intent

When the offer and acceptance are sufficiently specific and definitive to show the purpose and scope of the final contract to be executed, a letter contract or a letter of intent and any amendments to them accepted in writing by the contractor is documentary evidence to support the recording of an obligation. The obligation shall be recorded in the amount stated as the maximum liability under the letter or amendment.

A. The maximum liability may be a limitation on the amount of obligations that may be incurred pending execution of a definitive contract. In this case, the estimated amount of the definitive contract, over and above the obligation recorded under the letter of intent, shall be carried as a commitment, pending execution of the definitive contract, unless the letter of intent provides that awarding of the definitive contract is dependent upon congressional appropriation action.

* B. Commitments cannot be carried past the fiscal year-end.

*080508. Interest on Contractor Claims

Contractor claims made pursuant to the Contract Disputes Act (CDA) and settled by the contracting officer in the contractor's favor may generate interest payable to the contractor. In such cases, an obligation for the interest payable to the contractor shall be recorded under the appropriation that financed the contract. Such interest shall be applied from the date payment was due, and is not calculated or paid pursuant to the Prompt Payment Act. Parties settling a CDA dispute can bargain away all or part of the interest in a settlement agreement.

*080509. Interest Payable under the Prompt Payment Act

Such interest penalties are payable in accordance with Volume 10, Chapter 12. They are recorded as obligations against amounts available to carry out the program for which the penalty is incurred in the fiscal year or years in which the interest accrues. Penalties are charged to appropriations of the agency that funded the contract.

080510. Purchase Orders

A. A purchase order may create an obligation when issued in the amount stated. This occurs when the purchase order represents acceptance of a binding written offer of a vendor to sell specific goods or furnish specific services at a specific price, or the purchase order was prepared and issued in accordance with small purchase or other simplified acquisition procedures.

* B. A purchase order requiring acceptance by the vendor in order to form a binding contractual agreement shall be recorded as an obligation in the amount specified in the order at the time of acceptance. Evidence of this acceptance shall be retained in the files. If written acceptance is not required or provided, then commencement of performance constitutes acceptance by the vendor, and the amount of the order shall be recorded as an obligation. Formation of the binding contractual agreement should occur during the period of availability of the appropriation cited on the purchase order. If contract formation occurs after expiration of the period of availability of funds cited on the purchase order, the obligation must be recorded against current funds, and the purchase order contract modified accordingly.

080511. Amendment of a Contract

A change in the amount of the government's contractual liability that results from an amendment (within-scope change) to a contract is chargeable generally to the appropriation or other fund current at the time the contract was executed. Specific applications of and exceptions to this general rule follow:

A. The amount of the recorded obligation for a contract containing a provision for amendment or modification, within the general scope of the contract, shall be increased or decreased by the amount specified by any and all amendments or modifications when executed. The same source of funds that originally was obligated on the contract shall be charged or credited.

B. The amount of a recorded obligation shall be adjusted to reflect an increase or decrease resulting from a determination made, pursuant to the provisions of ***50 U.S.C. 1431-1435*** that results in the correction of a mistake or the formalization of an informal agreement. These adjustments shall be recorded against the same source of funds that originally was obligated when the amendments or modifications do not change the scope of the contract and, thus, do not result in a new procurement. When the scope of the contract is increased, the adjustment is chargeable properly to the appropriation or fund available at the time that the amendment is executed.

C. A contingent obligation, such as one existing under an indemnification clause or a clause involving an equitable adjustment, shall be recorded as an obligation only in the amount of the contractual liability incurred when the amendment fixing the obligation is executed. If no amendment is required, the adjustment is recorded as an obligation when the event occurs that fixes the amount of the liability under the contingent obligation. The obligation shall be recorded against the same obligation or fund that originally was cited on the contract.

* D. When an increase occurs in the price of one or more items in a fixed-price contract that contains an escalation clause, a price redetermination clause or an incentive provision, or in the fee in a cost-plus-incentive-fee contract, an obligation shall be recorded in the amount of the increase at the time the changed price or fee is determined in accordance with the terms of the contract. The obligation shall be recorded against the same appropriation or fund that originally was obligated for the contract.

E. In some instances, it is appropriate to reduce a recorded obligation for firm fixed-price contracts with escalation, price redetermination, or incentive provisions. This occurs when a determination is made by the contracting officer (and approved by the allotment holder or a designee) that the anticipated amount of liability under the contract may be reduced and the amount of the recorded obligation may be decreased by the amount so determined and approved. Such action is taken after taking all circumstances into consideration, including available costs and production data or tentative offers from contractors.

F. Amounts for increases in cost reimbursement contracts that exceed the original contract ceiling price, and which are not based on an antecedent liability enforceable by the contractor (i.e. discretionary cost increase), are chargeable to funds available when the price increase is granted -- rather than funds from the fiscal year cited on the original contract.

080512. Termination of Contracts and Agreements

When a contract or agreement is terminated in whole or in part for the convenience of the government by the giving of a "Notice of Termination" to the other party to the contract or agreement, the obligation recorded for the contract or agreement shall be decreased to an amount that is sufficient to meet the settlement costs under the termination. The obligation shall not be decreased below the amount estimated by the contracting officer, based on the best evidence then available, as the amount due as a result of the termination.

080513. Foreign Currency Exchange Fluctuations

Changes in obligations and contractual liabilities caused by foreign currency exchange fluctuations are determined and recorded when payment is made. For foreign currencies not specified in a special foreign currencies fluctuations appropriation account, adjustments also are made at fiscal year-end, and may be made at any other time a significant change occurs in order to help avoid overobligation of an allotment.

0806 RENTAL AGREEMENTS AND LEASES OF REAL AND PERSONAL PROPERTY

080601. Recorded Lease Obligation

The amount recorded as an obligation shall be based on the agreement or lease, or on a written administrative determination of the amount due under its provisions.

080602. Rental Agreement Termination Notice

Under a rental agreement that may be terminated by the U.S. Government at any time without notice, and without incurring any obligation to pay termination costs, the obligation shall be recorded each month in the amount of the rent for that month.

080603. Number of Days' Notice for Termination

Under a rental agreement providing for termination without cost upon giving a specified number of day's notice of termination, an obligation shall be recorded upon execution of the agreement in the amount of rent payable for the number of days notice called for in the agreement. In addition, an obligation shall be recorded each month in the amount of the rent payable for that month. When the number of days remaining under the lease term equals the number of days advance notice required under that lease, no additional monthly obligation shall be recorded.

080604. Specified Dollar Payment in The Event of Termination

Under a rental agreement providing for a specified dollar payment in the event of termination, an obligation shall be recorded upon execution of the agreement in the amount of the specified minimum dollar payment. In addition, an obligation shall be recorded each month in the amount of the rent payable for that month. When the amount of rent remaining payable under the terms of the agreement is equal to the obligation recorded for the payment in the event of termination, no additional monthly obligation need be recorded.

*****080605. Domestic or Foreign Rental Agreement Not Exceeding 12 Months

For a domestic or foreign rental agreement not exceeding 12 months that is financed under an annual appropriation, an obligation shall be recorded at the time of its execution in the total amount of rent specified in the agreement -- even though the period of the lease extends into the subsequent fiscal year (***10 U.S.C. 2410a***). Leases of structures and real property, other than military family housing, in foreign countries may be entered into for periods of up to 5 years under authority of ***10 U.S.C. 2675***, and the rent for each yearly period is paid from funds appropriated for that year. Leases of family housing in foreign countries may be for periods of up to 10 years (15 years in Korea) and rent may be paid on an annual basis from funds appropriated for that year. If the laws, regulations or customs of a foreign country require advance payment for rent, the advance payment may be made in accordance with ***10 U.S.C. 2396*** for the legal, regulatory, or customary term of a foreign lease, and an obligation may be recorded against the current appropriation in the same amount at the time the lease is consummated.

*****080606. Domestic Lease Agreements Entered Into For Periods Greater Than 1 Year

Domestic lease agreements entered into for periods greater than 1 year under authority delegated by the General Services Administration (GSA) under the Federal Property and Administrative Services Act, ***40 U.S.C. 581***, et seq., and ***40 U.S.C. 121(d)*** need not include a provision to the effect that lease funding in future fiscal periods is subject to fund availability in those future fiscal periods. Annual rental payments may be made from funds appropriated for that fiscal year ***(40 U.S.C. 585)***. Fully fund the lease at inception unless the lease includes a cancellation clause. In that case, the maximum liability is the amount of the lease payments over the minimum lease period plus any required cancellation payment.

080607. GSA for Standard-Level User Charges

Obligations to the GSA for standard-level user charges are recorded as specified in the GSA bill.

0807 REIMBURSABLE ORDERS PLACED WITH DOD COMPONENTS OR OTHER U.S. GOVERNMENT AGENCIES

*080701. Reimbursable Procurement

The term "reimbursable procurement" refers to an order for supplies, material, services or equipment placed by a requiring DoD Component (a) for procurement by another DoD Component or federal agency on a contract funded by the procuring DoD Component or federal agency; and (b) with subsequent delivery to and reimbursement by the requiring DoD Component. The date and amount recorded as an obligation for a reimbursable order by the requiring DoD Component is the date and amount of acceptance by the procuring activity. For GSA orders, see paragraph 080704 below. NOTE: DD Forms 448, "Military Interdepartmental Purchase Requests" (MIPRs), are used for these orders. MIPRs are described in DoD Procedures, Guidance and Information (PGI), subpart 253.208, accompanying the ***DoD FAR Supplement***.

080702. Direct Citation Procurement

The term "direct citation procurement" refers to procurement accomplished by combining the requirements of one or more other DoD Components with those of the procuring DoD Component. The procuring DoD Component may issue one contract with separate schedules showing the quantities, prices, dollar amounts, and citation of funds of each requiring DoD Component. The direct citation order is recorded as an obligation by the requiring DoD Component when it is notified in writing that the procuring DoD Component's contract or project order has been executed, or when a copy of the contract or project order is received. NOTE: MIPRS also are used for these orders.

*080703. Reimbursable Orders With Other DoD Activities

Reimbursable orders with other DoD activities for specific supplies, material, equipment, work, or services, may be placed under the Project Order statute (***41 U.S.C. 23***), the Economy Act (***31 U.S.C. 1535***), or other applicable authority. Reimbursable orders with Non-DoD activities may be placed under the Economy Act or other applicable statutory authority. The obligation reimbursable orders shall be recorded against the appropriation of the ordering DoD entity as follows.

* A. Project Order. Project Order authority is available only for intra- or inter-DoD orders. All project orders shall be identified on the order document itself. Fixed price and reimbursable project orders are funded like similar commercial procurement contracts. When a project order is accepted in writing by the performing activity, the amount of the project order shall be recorded as an obligation in the amount stated in the order. See Volume 11A, Chapter 2.

* B. Economy Act Orders. Unless more specific statutory authority is applicable, the Economy Act, codified at ***31 U.S.C. 1535***, provides authority that allows DoD Components to order goods and services from other federal agencies (including other DoD Components) and from major organizational units within the same DoD Component. Economy Act orders citing an annual or multiyear appropriation must serve a bona fide need arising, or existing, in the fiscal year (or years) for which the appropriation is available for obligation. The requesting DoD activity must obligate funds when the performing activity accepts the order in writing. The work to be performed under Economy Act orders shall be expected to begin within a reasonable time after its acceptance by the servicing DoD Component or organizational unit. Funds must be deobligated by both the requesting and servicing agency to the extent that the servicing agency or unit filling the order has not, before the end of the period of availability of the appropriation of the requesting or ordering agency, (1) provided the goods or services, or (2) entered into an authorized contract with another entity to provide the requested goods or services. As specified in paragraph 0804, review all unliquidated obligations and deobligate all unsubstantiated obligations and excess funds. See Volume 11A, Chapter 3**.**

* C. Non-Economy Act Orders. By DoD policy and by agreement with civilian agencies, Non-Economy Act reimbursable orders placed by DoD Components for supplies, material, services or equipment are placed with conditions that, in practical effect, make them subject to obligational standards used for Economy Act reimbursable orders. Non-Economy Act orders obligating annual or multiyear appropriation must satisfy a bona fide need of the appropriation's period of availability. The requesting DoD activity must obligate funds when the performing activity accepts the order in writing. By policy and agreement with civilian agencies that have non-Economy Act authorities to perform reimbursable orders, the DoD has further limited the fiscal principle that a performing agency with non-Economy Act authority has a reasonable period of time to use transferred funds, depending on the nature of the order. Thus, Chapter 11A and agreements civilian agencies provide that funds must be deobligated by both the requesting and performing agency to the extent that the performing agency has not, before the end of the period of availability of the DoD requesting agency appropriation, (1) provided the goods or services, or (2) entered into contract obligations with another entity (contractor) to provide the requested goods or services in a manner consistent with the bona fide needs rule. The triannual review requirements of section 0804 apply See also Volume 11A, Chapter 18.

*080704. Caution In Modifying Reimbursable Orders

Requiring activities must also use caution in modifying reimbursable orders.

A. If the appropriation used to fund the initial order remains available for the new requirement, it may be used to fund modifications and amendments to the order that are a bona fide need of that appropriation.

B. If the appropriation used to fund the initial order has expired, it may be used only to liquidate or adjust prior obligations.

C. Under no circumstances should an order result in a performing agency's issuance of a contract for severable services crossing fiscal years that extends beyond 1 year from the date of contract award. ***10 U.S.C. 2410a.*** Any such contract's performance period must begin during the period of availability of the requiring activity's appropriation

0808 ORDERS PLACED WITH (OR THROUGH) DEFENSE WORKING-CAPITAL FUNDS (WCF) ACTIVITIES

*080801. General

The DoD has authority under 10 U.S.C. ***2208*** and ***2210*** to establish WCFs to finance inventories of supplies and provide working capital for industrial and commercial-type activities. Activities funded through WCFs perform work for others under several different authorities. These include the Project Order Act (***41 U.S.C. 23***) for depots, the Economy Act (***31 U.S.C. 1535***) for reimbursable and direct citation procurements, and supply management operations (stock fund operations) that use WCF contract authority to acquire assigned items of supply for other DoD Components. WCF activities performing commercial-type services charge stabilized rates rather than charges based on Economy Act actual cost methodologies. Activities performing WCF operations can identify the transactional authority for work performed for others. Under ***10 U.S.C 2208***, the DWCF is used for two different types of activities, stock funds (supplies) and good and services. An order placed with a WCF activity may only be for a bona fide need of the period for which the ordering activity's financing appropriation is available.

*080802. Stock Funds

For purposes of this chapter, stock-funded items are integrated material management (IMM) items for which supply management and acquisition responsibility has been assigned to a single WCF-funded activity and that activity uses contract authority to acquire the item. See, e.g., ***DFARS Subpart 208.7,*** for a definition of integrated material management. An order for an item for which a stock number has been assigned shall be recorded as an obligation at the time the order is placed. Record an obligation for a nonstock-numbered item (stock number not assigned at the time of placement of the order) when the WCF activity accepts the order for an IMM item that it will fill using its cost authority. Unlike Economy Act orders, and unlike non-Economy Act orders placed with civilian agencies pursuant to polices set forth in Chapter 18 of Volume 11A, purchases made by WCF stock fund activities using cost authority to fill customer orders are not legally required to be executed before expirations of the customer's financing appropriations. However, an order placed for an IMM item must be a bona fide need of the requesting activity's financing appropriation. Thus, consistent with bona fide need requirements, the WCF activity using contract authority to acquire an IMM must be able to satisfy the requirement within a reasonable period of time. Unreasonable delay in WCF execution (or delivery in a subsequent fiscal year not based on delivery, production or manufacturing lead time exceptions) may reflect that the order placed with the WCF was not a bonafide need of the requiring activity. There is no hard and fast rule in this regard, but a reasonableness standard does apply. The following policies apply to change notices:

A. Cancellation. An obligation for an undelivered order placed with the stock fund activity shall be adjusted when a change notice affecting price, quantity, or an acceptable substitution of a like item is received from the stock fund. An undelivered order placed with the stock fund shall be canceled when the customer receives a notice of (1) substitution that is unacceptable, (2) transfer of a stock-funded item to funding by a centrally managed procurement appropriation within a DoD Component, or (3) advice that the stock fund is unable to perform under the terms of the order.

B. Transfers from Centrally Managed Procurement to WCF Stock Fund. An obligation shall be recorded as a WCF stock fund order if a requiring activities receive notice that an ordered item funded by a centrally managed procurement appropriation has been transferred to funding by the stock fund.

C. Funding Shortfall. If a change notice results in a shortfall of customer funds, the customer may cancel the order or reduce the quantity on order. If the customer does not receive a change notice, or does not receive it in time to cancel or modify the quantity on order, the material may be refused or returned to the stock fund. There is no violation of administrative control for customer funds if an apparent funding deficiency that results from a change notice is resolved with the stock fund by means of (1) cancellation or modification of the quantity on order, or (2) refusal or return to the stock fund of the material.

*080803. Economy Act and Project Orders Placed with WCF Activities

DoD organizations record obligations for reimbursable procurement orders, direct citation orders, and project orders placed with WCF activities in accordance with Section 0807.

0809 PERSONAL SERVICES AND BENEFITS

080901. Recording Obligations In the current For Military Members and Civilian Employees

Obligations for the amounts payable must befor the amounts payable to military members and civilian employees must be recorded in the month in which earned. These obligations shall be supported by written administrative determinations of the amounts of the liabilities incurred for personal services based on payroll or personnel records. Payroll charges based on salaries and wages, (such as civilian living and quarters allowances, equalization allowances under ***5 U.S.C. 3584***, and the employer's share of contributions to the retirement fund, insurance premiums, and FICA taxes) also are obligations at the time that salaries and wages are earned. In the event a payroll period covers portions of two calendar months, the proportionate amount accruing within each month shall be recorded as an obligation applicable to that month. Enlistment bonuses, and allowances to military members for subsistence, quarters and clothing, as well as civilian uniform allowances and incentive awards, are obligated in the month that they become payable to the member or employee.

080902. Obligation Shall Be Recorded For Subsistence In Kind Based

An obligation shall be recorded for subsistence in kind based on requisitions and orders, or on a written administrative determination of the estimated cost of subsistence furnished by others.

*080903. Obligate Annual Leave For Department Employees

Obligate annual leave for Department employees when it becomes due and payable as terminal leave or when otherwise specifically authorized by law, rather than at the time the leave is earned. Sick leave is obligated, costed, and paid when used.

080904. Severance Pay for U.S. Government Civilian Employees and Foreign National Employees

Severance pay for U.S. Government civilian employees and foreign national employees (such as those German nationals covered by the German Tariff Agreement) shall be reported as an obligation on a pay-period-by-pay-period basis, that is, at the time the severance pay becomes payable, regardless of the time it is disbursed.

080905. Obligations For Severance Pay Are Incurred And Reported

Obligations for severance pay are incurred and reported after an employee has been separated and specified conditions (such as those set forth in the German Tariff Agreement) have been met. The organization that terminates the employment of such individuals shall be responsible for recording and reporting the severance pay obligation. If the liability for severance pay is significant, reasonable estimates shall be made and an unfunded liability recorded and reported in accordance with the Federal Agencies' Centralized Trial Balance System (FACTS). In accordance with other foreign country contracts and agreements, certain foreign national employees earn a separation allowance, also sometimes called "severance pay" in some contracts and agreements, from inception of or during their employment. In such cases, a liability accrues from such date and obligations shall be recorded as indicated in the following paragraphs.

A. In general, obligations for separation allowances for foreign national employees shall be recorded against applicable current allotments in the full amount of the liability that accrues during the accounting period even though the amount may not currently be payable. When a foreign country is committed to fund part of the separation allowance for its nationals, however, DoD funds shall be obligated only for the Department's portion of that cost. The amount chargeable to the applicable current allotment is the separation allowance liability incurred during the current accounting period and adjustments to outstanding liabilities for separation as a result of changes in pay. Adjustments for fluctuations in foreign currency exchange rates must be made at the time of the disbursement. See paragraph 081210 below, however, for guidance on those currencies not covered by the foreign currency fluctuations appropriation.

B. Upon transfer of a foreign national employee from one DoD Component to another, the relinquishing DoD Component shall give detailed records to the gaining DoD Component on the unpaid accrued separation allowance for that employee. The detailed records shall include the name of the employee, beginning and ending dates of employment, grade or classification, or both, amounts of the accrued liability by fiscal year appropriations and accounting classifications to be charged at the time of separation, and the name (or designation) and address of the activity that will be responsible for retaining the appropriation records. The relinquishing DoD Component shall retain its liability for the accrued separation allowance, including the adjustment for any final fluctuation in the rate of foreign currency exchange, until notified of the employee's separation and payment of the allowance by the DoD Component effecting the separation. The gaining DoD Component is responsible for obligating separation allowances earned from the date of an employee's accession. Accrued separation allowances shall be paid when a foreign national employee is separated. The DoD Component effecting the separation shall coordinate its payment actions with the other DoD Components whose funds are to be charged. DoD Components should designate one of their activities to maintain centrally the detailed employee and appropriation records for all transferred employees to facilitate the closeout and liquidation of liabilities.

C. Appropriated funds may not be obligated for separation allowances earned by foreign national employees during any period of employment by DoD nonappropriated fund instrumentalities. The accrued separation allowance shall be paid when a foreign national employee transfers from an appropriated fund organization to a nonappropriated fund instrumentality.

*0810 PERMANENT CHANGE OF STATION

At the time permanent change of station orders are issued for civilian and military personnel, obligations shall be recorded against current appropriations for all authorized reimbursable expenses incidental to relocation at the request of the U.S. Government and for transportation requests and bills of lading expected to be issued. The only exception is the obligation of costs for non-temporary contract commercial storage of household goods, which shall be obligated either in the period in which the service is rendered or to the appropriation current at the contract award. Record an adjustment to the obligation based on the costs itemized on the traveler's settlement voucher.

0811 TEMPORARY DUTY TRAVEL

Tentative obligations for temporary duty travel shall be recorded from written administrative determinations, based on the travel authorizations issued, for the estimated transportation to be purchased and the estimated reimbursement to be earned by the traveler for per diem allowances, use of privately owned vehicles, and incidental travel expenses. When travel is performed under a blanket authorization (with the itinerary not definite), the amount of the tentative obligation recorded in the current month shall not exceed the estimate of the travel expenses to be incurred to the end of the current month. When the period covered by the travel authorization extends beyond the end of the fiscal year, and the travel costs are being paid by means of an annual appropriation or the final year of availability of a multiple-year

appropriation, the amount of the recorded obligation shall be the cost of transportation purchased and reimbursements earned to the end of the fiscal year.

0812 OTHER OBLIGATIONS

081201. Loan Agreements

Under 2 U.S.C. 661-661f, the Federal Credit Reform Act, unless otherwise provided by statute, new direct loan obligations may be incurred only to the extent that budget authority to cover their costs is provided in advance. When a direct loan obligation is incurred, its cost (i.e., the estimated long-term cost of the loan to the government) is obligated against the "program account" established for the loan program. The actual funding of the loan is made through a revolving, non-budget "financing account." ***OMB Circular No. A-11***, Part 5, contains detailed guidance covering the obligation and disbursement of funds for direct and guaranteed loans.

*081202. Grants and Subsidies

The amount of a grant or subsidy shall be recorded as an obligation when supported by documentary evidence as follows:

A. A grant requiring the grantee to undertake prescribed activities shall be recorded as an obligation based on formation of a binding agreement. Usually, a signed grant offer is provided by a grants officer to the grantee for acceptance. The obligation is incurred when the grantee accepts or approves the Component's offer by signing the grant document and providing the acceptance to the Component.

B. A grant or subsidy not proceeded by a binding agreement shall be recorded as an obligation at the time payable.

C. Annually, Components shall:

1. Track the amount of undisbursed grant funding remaining in expired grant or subsidy accounts,

2. Determine why these funds were undisbursed, and

3. Take action to resolve the undisbursed funding and close the expired grants and related accounts.

*081203. Bid Protests or Other Challenges

The pertinent policy provisions follow.

A. Funds available at the time of protest or other action filed in connection with a solicitation for, proposed award of, or award of such contract, remain available for obligation for 100 calendar days after the date on which the final ruling is made on the protest or other action.

B. A protest or other action consists of a protest filed with the GAO, or an action commenced under administrative procedures or for a judicial remedy if:

1. The action involves a challenge to a solicitation for a contract; a proposed award for a contract; an award of a contract; or the eligibility of an offeror or potential offeror for a contract or of the contractor awarded the contract; and

2. Commencement of the action delays or prevents an executive agency from making an award of a contract or proceeding with a procurement.

C. A ruling is considered final on the date on which the time allowed for filing an appeal or request for reconsideration has expired, or the date on which a decision is rendered on such an appeal or request, whichever is later.

1. A request for reconsideration of a GAO protest must be made within ten days after the basis for reconsideration is known or should have been known, whichever is earlier.

2. The appeal of a protest decision of a district court or the Court of Federal Claims must be filed with the Court of Appeals for the Federal Circuit within 60days after the judgment or order appealed from is entered.

*081204. Liquidated Damages

Recover the amount of liquidated damages deducted and withheld from the contractor. If the contractor objects to the assessment of liquidated damages, treat the amount as a contingent liability. Reestablish an obligation only when a formal contractor claim is "approved," i.e., sustained by government admission or by a judgment.

081205. Litigation

As a general rule, the amount of the liability expected to result from pending litigation shall be recorded as an obligation in cases where the government definitely is liable for the payment of money from available appropriations, and the pending litigation is for the purpose of determining the amount of the government's liability. In other cases, an obligation shall not be recorded until the litigation has been concluded or the government's liability finally is determined. A written administrative determination of the amount of the liability shall serve as documentary evidence of the obligation.

*081206. Bills of Lading

A bill of lading issued to a commercial carrier shall be recorded, when issued, as an obligation in an amount representing the estimated value of the transportation to be furnished, based on established rates and adjusted on receipt of evidence of payment of the final bill. Obligations for transportation that has not been commenced at year-end must be deobligated and obligated in the next fiscal year if still valid.

*081207. Public Utility Services

An obligation for recurring charges for utility services (such as gas, electricity, water, and steam) and communications will be recorded each month or as required based on a written administrative determination of the estimated cost of the service that will be furnished during the month. Charges for utility services and communications for a time period beginning in one fiscal year and ending in another fiscal year shall be charged against the appropriation current at the end of the time period covered by the service.

081208. Claims

A claim payable under law shall be recorded as an obligation, when finally approved, in the amount certified for such payment.

081209. Legal Determinations

A document evidencing a present legal liability of the U.S. Government, when the liability has been determined to exist by competent legal authority, shall be recorded as an obligation in the amount of the liability when that determination is made.

081210. Simultaneous Disbursement and Obligation

If a disbursement has been made (or is about to be made) without the related obligation previously having been recorded, an obligation shall be recorded immediately in the amount of the disbursement. Disbursement documents in payment of obligations not previously recorded shall be used to record the transaction as an Accrued Expenditure--Paid with a corresponding decrease in the uncommitted/unobligated balance of the affected allotment.

081211. Simultaneous Undelivered Order and Accrued Expenditure - Unpaid

If delivery or performance is due within a short period of time, contracts and other orders for $1,000 or less may be entered into the budgetary accounts as Accrued Expenditures--Unpaid rather than Undelivered Orders. This will save one processing step when recording obligation transactions for small amounts.

081212. Foreign Currency Fluctuations

A. The Foreign Currency Fluctuations Appropriation was established to eliminate losses or gains to programs caused by fluctuation of specified foreign currency exchange rates from those used in the budget. (DWCF foreign currency fluctuations are absorbed by the incurring DWCF business area, not the foreign currency account.) Contractual obligations or other obligations payable in the specified foreign currencies may not be adjusted until disbursements are made from the appropriation account involved.

B. When foreign currencies not specified in the Foreign Currency Fluctuations Appropriation account are involved, any adjustments to cost at the time of payment shall be supplemented with adjustments made at year-end and may be made at any other time a significant change occurs in order to avoid overobligation of an allotment.

081213. Security Guard and Firefighting Services

* A. ***Title 10, United States Code, section 2465***, prohibits the obligation or expenditure of appropriated funds for the purpose of entering into a contract for the performance of firefighting or security guard functions at any military installation or facility in the United States, including Alaska and Hawaii. This prohibition does not apply to (1) a contract that is to be performed in the commonwealths, territories, or possessions of the United States, or other locations outside the United States, when members of the Armed Forces otherwise would have to be used for the performance of firefighting or security guard services at the expense of unit readiness; (2) a contract to be carried out on a government-owned, contractor-operated (GOCO) installation; (3) a contract (or renewal of a contract) for the performance of a function that was under contract on September 24, 1983, or (4) a contract for the performance of firefighting functions if the contract is for a period of one year or less and covers only the performance of firefighting functions that, in the absence of a contract, would have to be performed by members of the armed forces who are not readily available to perform such functions by reason of deployment.

B. ***Section 2905 (b)(8) of Public Law 100-510***, the Defense Base Closure and Realignment Act of 1990, as amended, authorizes special procedures for providing security guard (or firefighting) services 180 days before an installation closes under the Base Realignment and Closure initiative.

*081214. Postage

An obligation for postage shall be recorded each month based on an estimate of the billing to be received and adjusted based on the actual billing received. If advance payment for post office box is required, the obligation shall be based on the advance billing. Stamps purchased shall be obligated at the time payment is made.

0813 UNRECORDED OBLIGATIONS

081301. Dollar Threshold.

The following guidance shall be applied when the accounting office identifies that an obligation has been incurred but not recorded in the official accounting records and the accounting office is in possession of a valid obligating document (as specified in subparagraph 081302.C below):

A. The accounting office immediately shall record an obligation if the dollar amount is $2,500 or less.

B. If the dollar amount is greater than $2,500, the accounting office shall provide the appropriate DoD Component fund holder with a copy of the obligating document(s), via e-mail, fax, or other documented means (retaining proof of transmission and receipt of the notification), and allow 10 calendar days for the fund holder either to record the obligation or demonstrate that the obligation previously had been recorded. If, within 10 calendar days, the fund holder does not demonstrate that: (1) it is not accountable for the obligation, (2) the obligation is inaccurate, (3) the applicable obligation previously was recorded or (4) it has recorded the obligation in the accounting records, the accounting office shall record the obligation on behalf of the fund holder.

081302. Process Controls

A. Identification. Whenever the accounting office records an obligation, the appropriate fund holder shall be notified immediately and such notification shall be via e-mail, fax, or other documented means. Additionally, whenever the accounting office records an obligation, each such recording uniquely shall be identified, logged, formally approved by an appropriate level accounting office manager, and cross-referenced to the obligating document. The processed obligating document shall be similarly annotated. In lieu of a log file, it is acceptable for an automated system to identify the source of a DFAS recorded obligation.

B. Internal Control. To ensure proper internal controls within the accounting office, the duty of recording obligations shall be separate from other payment function duties; for example, the technicians responsible for recording an obligation also shall not post receiving reports or certify payments.

C. Supporting Documentation. Prior to recording an obligation, the accounting office responsible for the official accounting records of the fund holder shall have either:

1. A copy of the obligating document(s) via e-mail, fax, or other documented means (e.g., contract, contract amendment, letter contract, purchase order, reimbursable order, lease agreement, travel order, etc.) that will support an obligation, or

2. EDI transaction set that represents an obligating document or supports an obligation (e.g., an EDI 850 transaction set representing a contract or an EDI 860 transaction set representing a contract modification or equivalent electronic data).

D. Document Verification

1. The accounting office shall verify that the document previously was not recorded in the official accounting records under the applicable obligation reference number indicated. The verification process also shall include an appropriate review (e.g., review by amount, appropriation, and vendor name) to determine whether the obligation is recorded under another reference number, to include unrecorded modifications that are controlled in other obligating documents. For those accounting systems that contain commitments, the review also shall involve looking for a commitment.

2. The accounting office shall verify whether the obligation was recorded in the official accounting records at an amount that was less than the face value of the obligating document or EDI representation. If so, the amount of the obligation to be recorded shall be limited to the difference between the amounts authorized on the obligating document or EDI representation and the amount previously recorded in the official accounting records.

3. Once one of the above two conditions has been met, the supporting accounting office immediately shall record an obligation if the dollar amount is $2,500 of less. If the amount of the obligation is over $2,500, the accounting office shall follow the procedures in subparagraph 081301.B above.

E. Responsibilities. The fund holder and supporting accounting office shall implement procedures to ensure that obligations are promptly recorded, i.e., within 10 calendar days. Additionally, if the accounting office has recorded an obligation, and the fund holder demonstrates to the accounting office that the obligation so recorded by the accounting office is invalid, inaccurate or a duplicate of an obligation that already has been recorded, the accounting station shall reverse the accounting station recorded obligation within 10 calendar days of receipt of adequate documentation.

F. Research. When the accounting office records an obligation in accordance with this policy and it results in an apparent Antideficiency Act violation, that office immediately shall initiate research to include consulting with the fund holder.

1. If it is determined that the accounting office action resulted in a duplicate of an obligation that previously was recorded in the official accounting records, the accounting office action immediately shall be reversed after the error is identified and no Antideficiency Act violation will be considered to have occurred.

2. If it is determined that (a) the accounting office action has not resulted in a duplicate of an obligation that was previously recorded in the official accounting records and (2) the obligation has exceeded the fund holder's authorized budget authority, then a preliminary review of the potential violation shall be initiated in accordance with Volume 14, Chapter 3. If a valid obligation actually had been incurred in excess of available funds, the actual incurrence of the obligation, rather than the recording of the obligation, would be considered to have caused the apparent violation. In such cases, follow the appropriate DoD guidance for Antideficiency Act investigations contained in Volume 14.

VOLUME 3, CHAPTER 9: "STATUS OF PRIOR YEAR MILITARY CONSTRUCTION ACCOUNTS"

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 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Date refresh.	Refresh

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CHAPTER 9

STATUS OF PRIOR YEAR CONSTRUCTION ACCOUNTS

0901 FUNDING REVIEW OF PRIOR YEAR PROGRAM EXECUTION

090101. Purpose

This chapter provides guidance for the submission of status reports concerning all prior year Military Construction and Family Housing Accounts. The intent is to adjust these accounts annually, during the August/September timeframe, to reflect the latest estimate of funding requirements for these programs.

090102. Reporting Requirements

A. Annually, by August 1, each DoD Component holding Military Construction and Family Housing funding authorities shall submit recommendations in the format of Exhibit MC-4 (see Volume 3, Chapter 9 Appendix A) for financial adjustments to these authorities based on current cost estimates. Unobligated balances will be withdrawn unless supported by firm requirements. In all cases where unobligated balances for programs more than two years old are not being made available for withhold, a statement shall be transmitted to identify the status of each project and efforts made to complete the financing. Exhibits shall be submitted in duplicate to the Office of the Under Secretary of Defense Comptroller (Program/Budget) OUSDC(P/B) Military Personnel and Construction.

B. Separate Exhibits MC-4 shall be prepared and submitted for the five active program years, categorized by budget activity. Instructions for the completion of the MC-4 exhibits are contained in Volume 3, Chapter 9 Appendix A.

Exhibit MC-4

APPENDIX A

MILITARY CONSTRUCTIONFUNDING REVIEW
BUDGET ACTIVITY (SPECIFY) FISCAL YEAR

(1) Project & Location	(2) Current Estimate 1/	(3) Obligational Authority Issued 2/	(4) Cumulative Obligations as of the Past June 30	(5) + or - Authority Required for Completion 3/	(6) Remarks

1/ Enter the best estimate of the total amount this project will cost when complete.

2/ Enter the amount of obligational authority issued. This amount should agree with the amounts provided by project on the Office of the Secretary of Defense (OSD) funding documents. In certain cases funds may be realigned between the various projects in accordance with prescribed programming procedures. However, in no case should the total of the projects shown in this column for a given fiscal year exceed the amount provided on the OSD obligational authority document.

3/ Enter the amount of authority required to complete the project. If the total of this column for a fiscal year program is negative those funds will be withdrawn unless a justification is provided why they should not be withdrawn. If the total of this column for a fiscal year is positive, an explanation should be provided why the additional funds are required.

Exhibit MC-4
(Page 1 of 1)

Exhibit MC-4 Instructions

APPENDIX A

INSTRUCTIONS FOR COMPLETION OF MC-4 EXHIBIT MILITARY CONSTRUCTION FUNDING REVIEW

1. The MC-4 exhibit shall be executed at the project level for each of the program years for which the Department of Defense (DoD) Component holds unexpired obligational authority. A program year summary should be compiled by budget activity for each of the program years covered by the review.

2. Columnar entries shall be as follows:

a. Project and Location (1) - Each project contained in the original program approved by the Congress should be listed regardless of its status. The projects should be listed alphabetically in state sequence. Minor construction projects also should be listed with unallocated minor construction funds identified and labeled as such. Planning and Design funds may be accounted for as a lump-sum.

b. Current Estimate (2) - Enter the current working estimate (CWE) for the project. If the project is payable in a foreign currency, the CWE should be calculated at the budgeted rate.

c. Obligational Authority Issued (3) - Enter the amount of obligational authority currently issued to the command, activity, etc., for this project. The sum of obligational authority issued for each program year and budget activity cannot exceed the amount currently apportioned or, in the case of the Defense Agencies, the amount provided on the latest fund authorization.

d. Cumulative Obligations as of the Past June 30 (4) - Self-explanatory.

e. + or - Authority Required for Completion (5) - In the case of the Defense Agencies, a negative figure indicates the amount of authority that may be withdrawn, whereas a positive figure represents the amount of additional authority required. Justification should be included if the component determines that a negative value cannot be withdrawn. If the total is positive, by program year and budget activity, a statement should be entered in the remarks section of the report indicating the impact if additional funds are not provided.

f. Remarks (6) - In addition to impacts, etc., as described above, this column should include the status of the project stated as a percent of fiscal completion.

VOLUME 3, CHAPTER 10: "ACCOUNTING REQUIREMENTS FOR EXPIRED AND CLOSED ACCOUNTS"

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 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
100201.H.3	Added reference to audited financial records retention requirements Volume 1 Chapter 9 – "Financial Records Retention" and the Financial Improvement and Audit Readiness (FIAR) Guidance.	Add
100207.A	Added reference to Treasury Financial Manual, Volume 1, part 2, section 3150.	Add
100207.B	Added reference and guidance on the preparation of the FMS Form 2108.	Add
100212.A.2	Added reference to Office of Management and Budget (OMB) Circular A-11 and Circular A-123 Appendix A.	Update
100213.J.4	Updated mailing address.	Update
All	Added references and hyperlinks.	Update

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CHAPTER 10

ACCOUNTING REQUIREMENTS FOR EXPIRED AND CLOSED ACCOUNTS

1001 INTRODUCTION

100101. Purpose

This chapter implements within the Department of Defense (DoD) certain provisions of chapter 15 of title 31, United States Code (U.S.C.), relating to expired and closed accounts.

100102. Definitions

A. Adjustments to Expired or Closed/Canceled Accounts. Increases or decreases to obligations or expenditures. Adjustments involve recording obligations or expenditures that were made or incurred, but not recorded, during the period prior to expiration or cancellation of the account.

B. Closed/Canceled Accounts. Accounts with balances that have been canceled under sections 1552, 1555, or 1557 of title 31, U.S.C. When balances are canceled, the amounts are not available for obligation or expenditure for any purpose.

C. Expired Accounts. Appropriation or fund accounts in which the balances no longer are available for incurring new obligations because the time available for incurring such obligations has expired.

D. Fixed Accounts. Appropriation or fund accounts with balances that are available for a definite period of time. The fixed accounts are comprised of annual and multiyear accounts. The universe of appropriation or fund accounts are made up of fixed accounts and no-year accounts.

E. Unexpired Accounts. Appropriation or fund accounts in which the balances are available for incurring obligations because the time available for incurring such obligations has not yet expired. Audit requirements, limitations on obligations, and reporting requirements applicable to unexpired accounts must continue to apply after the end of the period of availability for obligation or expenditure of that account.

F. Unrecorded Obligations. Obligations that were incurred legitimately during the period of fund availability, but were not recorded in the Component's records prior to expiration of the appropriation or fund. For purposes of this guidance, "unrecorded" obligations are included in obligation adjustments. Current accounts may be used to pay previously unrecorded obligations chargeable to a closed account.

1002 POLICY AND PROCEDURES

100201. Expired and Closing/Canceling Accounts

A. Expired funds retain their fiscal year identity for 5 years after the time an appropriation expires (see Volume 3 Chapter 13, subparagraph 130208.B). Expired funds are not available for new obligations. Both the obligated and unobligated balances of expired appropriations must be available for recording, adjusting, and liquidating obligations properly chargeable to that account.

B. Certain appropriations are available for obligation for a specific period, i.e., annual and multiyear appropriations. Both the obligated and unobligated balances of such appropriations must be closed/canceled, and shall no longer be available for obligation or expenditure for any purpose, on September 30th of the fifth fiscal year after the expiration of an appropriation's period of availability for incurring new obligations (31 U.S.C. 1552(a)).

C. Certain appropriations are available for an indefinite period. Obligated and unobligated balances in such appropriations must be closed/canceled when no disbursements have been made from the indefinite appropriation for a period of 2 years and the President, the Secretary of Defense, or the Secretary's designee determines the purposes for which the appropriation was made have been carried out (31 U.S.C. 1555).

D. Before an account closes/cancels, the affected DoD Component must identify valid unliquidated obligations subject to closure/cancellation to determine whether appropriations are available for future adjustments or payments against such obligations. Also the DoD Component must confirm whether adequate resources are available to pay for obligations that will close/cancel with an account.

E. In some instances, following closure/cancellation of an appropriation, it becomes necessary to adjust an obligation that otherwise would have been properly chargeable (both as to purpose and amount) to an appropriation before closure/cancellation. Should such an adjustment become necessary, the obligation must be charged to an appropriation currently available for the same purpose, subject to certain limitations discussed in subparagraph 100201.F. An adjustment to an obligation otherwise properly chargeable to a closed/canceled appropriation pursuant to the closing law, sections 1551-1557 of title 31, U.S.C., but for which the related program or function has migrated from one DoD activity to another, is chargeable to the current DoD activity to which a program has transferred. The current DoD activity is responsible for providing current-year funds from an appropriation account available for the same purpose to satisfy the obligation.

F. 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 closed/canceled appropriation, the total of all such payments from that current appropriation may not exceed the lesser of:

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

b. For multiyear accounts, the 1 percent limitation applies to the total amount of the appropriation. As an example, if a multiyear account enacted for fiscal year 2007 through fiscal year 2008 was $100 million, then the 1 percent limitation in fiscal year 2007 would be $1 million. At the end of fiscal year 2007, if $650,000 had been used for payment of obligations of closed/canceled accounts, then the amount available to be used for such payments in fiscal year 2008 would be $350,000 ($1,000,000 minus $650,000).

c. For contract changes (as specified in paragraph 100202), charges made to currently available appropriations shall have no impact on the 1 percent limitation rule. That is, the 1 percent (of the currently available appropriation) amount shall not be decreased by the charges made to current appropriations for contract changes.

G. In order to prevent overpayments and ensure that applicable limitations are not exceeded, DoD Components must:

1. Identify the unobligated balance and unpaid obligations of all expired appropriations at the time they expire.

2. Identify the unobligated balance and unpaid obligations of all closed/canceled appropriations at the time they are closed/canceled.

3. Identify to closed/canceled accounts all obligations and payments charged to currently available appropriations that otherwise would have been properly chargeable (both as to purpose and amount) to a closed/canceled appropriation (as specified in subparagraph 100201.F).

4. Maintain identification of the amount for which it is permissible to charge current appropriations for obligations and payments which otherwise would have been properly chargeable (both as to purpose and amount) to a closed/canceled appropriation. This amount is determined by subtracting, from the unexpended balance of the appropriation at the time it was closed/canceled, all subsequent obligations and payments made as indicated in subparagraph 100201.G.3.

H. Official accounting activities must maintain proper general ledger controls for valid unpaid obligations and receivables pertaining to closed/canceled accounts. General ledger controls must be perpetuated until all obligations are paid and accounts receivable

collected. (This will ensure that valid liabilities continue to be tracked until satisfied, even though the accounts are closed/canceled.) In addition, official accounting activities must:

1. Ensure that the beginning, unpaid obligation balance of each closed/canceled appropriation accurately reflects the official Treasury balance of the appropriation on the date of closure/cancellation.

2. Perform a one-time review of each closed/canceled appropriation to ensure that the beginning Accounts Payable (Obligations - Unpaid) balance of each closed/canceled appropriation accurately reflects the balances on the *Report on Budget Execution and Budgetary Resources*, Standard Form (SF) 133, as of the date of closure/cancellation.

* 3. Ensure that an adequate audit trail is maintained for all corrections affecting closed/canceled appropriations, including any offsetting corrections to current or expired appropriations. This should be done in accordance with guidance in Volume 1, Chapter 9 – "Financial Records Retention" and for document retention for audit readiness efforts refer to the Financial Improvement and Audit Readiness (FIAR) Guidance**.**

100202. Implementation of Contract Change Provisions Within the Department of Defense

A. Section 1553(c)(3) of title 31, U.S.C. defines a "contract change" as a change under which a contractor is required to perform additional work. Paragraphs 100204 and 100205 contain procedures for requesting approval of certain obligation adjustments for contract changes.

B. Obligation adjustments, such as incentive or award fees and price inflation (escalation or economic price adjustments), are not considered contract changes for purposes of subparagraph 100202.A. To the extent otherwise appropriate, such amounts may be charged to applicable accounts that otherwise have expired for incurring new obligation but have not yet been closed/canceled. Such charges or adjustments must be supported by comprehensive written documentation containing a statement that the charges do not require, involve, or result in additional work or changes in scope. This statement must explain the circumstances, contingencies, or management practices that necessitated the adjustment.

C. For funding contract changes resulting from Contracts Disputes Act contracting officer final decisions, apply obligation adjustment rules in this chapter and in Chapter 8, subparagraph 080304.B. Contract Disputes Act litigation judgments payable from the Judgment Fund result in a new agency obligation to reimburse the Judgment Fund. See Volume 3, Chapter 8, subparagraph 080304.F. For reimbursements, use funds for the same purpose current at the time of the judgment.

D. Section 7313 of title 10, U.S.C. permits expired appropriations available to DoD to be used for new obligations of appropriations for certain ship overhaul, maintenance, and repair efforts. Those purposes are obligation of expired funds for unusual cost overruns incident to overhaul, maintenance and repair of vessels under commercial contract or by industrial-fund

activity (10 U.S.C. 7313(a)), and changes in scope of work for ship overhaul, maintenance, and repair performed under a contract or by an industrial-fund activity (10 U.S.C. 7313(b)). There is a statutory congressional notification requirement for funding of unusual cost overrun obligational adjustments. Requests must be submitted to the Office of the Under Secretary of Defense (Comptroller) (Program/Budget) (OUSD(C)(P/B)).

1. While expired appropriations may be used in certain instances for new obligations; those appropriations are not available beyond the end of the fifth fiscal year following their expiration.

2. The DoD appropriations, primarily the Operation and Maintenance appropriations as covered by section 7313(b) of title 10, U.S.C., expire and are closed/canceled at the same time as other appropriations. For example, within the Navy, these appropriations shall not be available for the payment of changes in the scope of work for ship overhaul, maintenance, and repair beyond the end of the fifth fiscal year following the expiration of such appropriations for other purposes.

100203. Shipbuilding and Conversion (SCN), Navy Appropriation

A. The period of availability to incur obligations in the SCN appropriation for all purposes normally is 5 years. For limited purposes, however, SCN funds are available for obligation after the 5-year period has ended. Appropriation language for the SCN appropriation often contains a provision to the effect that additional obligations for engineering services, tests, evaluations, and other such budgeted work that must be performed in the final stage of ship construction may be incurred after the appropriation otherwise would expire for obligation. This additional period allowed for incurring new obligations for such purposes is called "extended availability."

B. The DoD and the Department of the Treasury employ special procedures to establish extended availability authority for the SCN appropriations because not all work required to induct a ship into the fleet can be completed within the first 5 years of availability of an SCN appropriation. The procedures are summarized as follows:

1. The fiscal year of the latest obligation work limiting date (OWLD) for the last vessel financed by a particular SCN appropriation must represent the period of availability for obligation. After such date, the appropriation enters an expired status for 5 years and the balances are available only for obligation adjustments and payments.

* 2. An SCN appropriation is closed/canceled on September 30 of the fifth year following the year of the last OWLD. Before the end of each fiscal year, the DoD notifies the Department of the Treasury of the last OWLD for the SCN appropriation that will be expiring on September 30 of that fiscal year. By the ninth workday of November of each year, the unobligated and obligated balances of that SCN appropriation are transferred by preparing the *Nonexpenditure Transfer Authorization*, Standard Form (SF) 1151, to a new Treasury fiscal year symbol. **(**See ***TFM Volume I, Part 2, Chapter 2000***.**)**

For example, on September 18, 1995, the Navy notified the Department of the Treasury that the last OWLD for the FY 1991/1995 SCN appropriation was September 30, 2001. Before November 14, 1995, the balances of that SCN appropriation were transferred to the FY 1991/2001 SCN appropriation with a cancellation date 5 years later--September 30, 2006.

100204. Obligation Adjustments for a Contract Change in Excess of $4 Million

An obligation adjustment for a contract change under which a contractor is required to perform additional work may be incurred only if that obligation adjustment has been approved by the Under Secretary of Defense (Comptroller) (USD(C)), as designee of the Secretary of Defense. Approval must be sought when the amount of the obligation would cause the total amount of charges in any fiscal year for a single program, project, or activity to exceed $4 million and the account being used to fund such obligations no longer is available for new obligation.

A. Requests for approval, if necessary, must be submitted by the applicable DoD Component to the Office of the Under Secretary of Defense (Comptroller) (Program/Budget) (OUSD(C)(P/B)).

B. Requests for approval must include the following documentation:

1. The amount to be obligated,

2. The purpose for which the funds are to be obligated, and

3. An explanation of the obligation adjustment including the reason for the adjustment and the contingencies or management practices which caused the need for the adjustment.

C. Components must retain supporting documentation for future reference.

100205. Obligation Adjustments for a Contract Change of $25 Million or More

Special handling is required to process any obligation adjustment to an expired appropriation for a contract change, under which a contractor is required to perform additional work, for amounts in any fiscal year of $25 million or more. Such adjustments may be made only after the USD(C), as designee of the Secretary of Defense, submits a notice of intention to make the obligation--along with the legal basis and policy reasons for the obligation--to the Armed Services and Appropriation Committees of the Senate and the House of Representatives.

A. After 30 days have elapsed following submission of the notice, the proposed obligation may be recorded (unless any cognizant congressional committee notifies the USD(C) of its disapproval).

B. Such charges or adjustments must be supported by a written comprehensive statement concerning the reason for the adjustment. This statement must explain the circumstances, contingencies, or management practices that caused the need for the adjustment.

C. When notification to the Congress is necessary, the applicable DoD Component must submit to the OUSD(C)(P/B) the required documentation (including letters to the appropriate congressional committees for the USD(C) signature).

100206. Replacement Contracts

Expired funds also may be used to fund a replacement action (a replacement contract) under certain conditions. When a procurement action will result in a replacement contract, it may be funded from expired funds if all of the conditions in subparagraphs 100206.A-D are met. (If all of these conditions cannot be met, then current year funds shall be used to fund the requested action.)

A. The DoD Component has a continuing bona fide need for the goods or services involved.

B. The original contract was made in good faith.

C. The original contract was terminated for default or for the convenience of the government. If the original contract was terminated for the convenience of the government, then the termination must have been the result of a:

1. Court order;

2. Determination by a contracting officer that the contract award was improper due to explicit evidence the award was erroneous and when the determination is documented with appropriate findings of fact and of law; or

3. Determination by other competent authority (e.g., a Board of Contract Appeals) that the contract award was improper.

D. A replacement contract is used to obtain the goods or services that originally had been ordered under another contract that was terminated either for default or convenience of the government. The replacement contract is:

1. The same size and scope as the original contract; and

2. Executed without undue delay after the original contract is terminated.

E. If a replacement action will result in an obligation that exceeds $4 million, then the action first must be submitted to the USD(C) for approval.

F. If a replacement action will result in an obligation that exceeds $25 million, then a notice of intention (as discussed in paragraph 100205) must be submitted to the appropriate congressional oversight committee at least 30 days in advance. After 30 days have elapsed following submission of the notice, the proposed obligation may be recorded unless one of the congressional oversight committees notifies the USD(C) of its disapproval.

100207. Obligation Adjustments or Payments from Current Appropriations for Closed/Canceled Accounts

* A. When making payments from a current appropriation account for obligations of a closed/canceled account, the DoD Components must request a "subclass" account from the Department of the Treasury. Submit requests for subclass accounts in writing to the Department of the Treasury, through the Defense Finance and Accounting Service (DFAS), and include the purpose for the payment. The address to which requests must be sent is listed in ***Treasury Financial Manual (TFM), Volume 1, Part 2, Section 3150***. Use these subclass accounts to record applicable payments on the books of the Department of the Treasury. Report payments monthly on each Component's Statement of Transactions.

* B. Record amounts for obligations that otherwise would have been properly chargeable to a closed/canceled account (but are required to be charged to current accounts) only in the current account when payment is imminent during the current fiscal year. Do not report amounts for such obligations on the year-end Financial Management Service (FMS) Form 2108, *Year-End Closing Statement*, unless payment has been made. If at year-end, however, such amounts for obligations are known to be payable in the coming fiscal year, then that information must be footnoted on the year-end FMS Form 2108. Reporting guidance and preparation of the FMS Form 2108 is specified in Volume 6A, Chapter 4.

C. Enter current year obligation adjustments required due to closed/canceled balances as negative amounts against specific applicable line items in column "k" of *Report of Programs (*DD Form 1416). If these adjustments cause the line item to exceed current year reprogramming thresholds, then the amount in column "k" must be footnoted to indicate the amount is "applicable to closed/canceled account adjustments." No reprogramming action is required. In addition, enter the total of all closed/canceled account adjustments charged to the applicable appropriation in column "k" as a separate line item titled *Reduction to Finance Closed Account Adjustments*. Show this amount as a positive number.

100208. Use of Current Year Funds When Sufficient Obligation Authority Does Not Exist in Expired Appropriations

In the case of an appropriation account of the DoD for which the period of availability for obligation has expired or which has closed/canceled under the provisions of section 1552 of title 31, U.S.C., and which has a negative unliquidated or unexpended balance, an obligation or an adjustment of an obligation may be charged to any current appropriation account for the same purpose as the expired or closed/canceled account pursuant to General Provisions that recur annually in DoD appropriations acts. However, if a subsequent review or investigation discloses that sufficient funds were available in the expired account, then any charge made against a

current account must be reversed. Charges to current year funds when sufficient obligation authority does not exist in expired appropriations may be made under the following conditions:

A. The amount charged to a current appropriation may not exceed an amount equal to 1 percent of the total appropriation for that account (see subparagraph 100201.F, which applies to charges that can be made to a current account when the account that should have been charged has been closed/canceled.)

B. Charge the appropriate expired account for obligations that are properly chargeable to an expired account whenever sufficient resources exist to fund the obligation in the applicable expired account. Make no charges against a current account if there is a sufficient balance remaining in an expired account.

C. Do not charge obligations that otherwise would be properly chargeable to an expired account, except that insufficient resources exist in the expired account to fund the applicable obligation, against a current account unless all of the following conditions have been met:

1. The obligation is charged to an appropriation available for the same purpose as the applicable expired account and is otherwise properly chargeable (except as to amount) to the applicable expired account before closure/cancellation of the expired account.

2. The Assistant Secretary of a Military Department for Financial Management and Comptroller, or the Comptroller of a Defense Agency, has determined that sufficient obligation authority does not exist in the applicable expired account to fund the applicable obligation.

3. The obligation is not otherwise properly chargeable to any DoD current appropriation.

4. The obligation is not chargeable to a current appropriation under authority of the DoD under the provisions of section 1405(b)(8) of the National Defense Authorization Act for 1991, as amended by section 1004 of Public Law 102-484 (31 U.S.C. 1551 note).

100209. Crediting of Collections After an Account is Closed/Canceled

A. Valid accounts receivables shall not be written off as a result of closure/cancellation of appropriations with negative unliquidated obligations. Maintain proprietary accounts until settled by the debtor or until debt is closed in accordance with guidance in Volume 4, Chapter 3.

B. When collections that are authorized or required to be credited to an account are received after the closure/cancellation of an account, deposit those collections in the miscellaneous receipts of the U.S. Treasury (31 U.S.C. 1552). Accounting entries are specified in the ***United States Standard General Ledger (USSGL) Standard Financial Information***

Structure (SFIS) Transaction Library. See ***Volume 4, Chapter 3*** of this Regulation for receivable accounting policy.

100210. Exceptions to Periods of Availability of Accounts for Adjusting and Liquidating Obligations

A. Requirements applicable to the closure/cancellation of appropriations apply to all appropriation accounts unless specifically exempted by statute. A provision of an appropriations act may exempt an appropriation from the provisions of the new requirements for the closing/canceling of accounts and may fix the period for which an appropriation remains available for expenditure (31 U.S.C. 1557). Additionally, an appropriations act applies only to the appropriation for a specific fiscal year. To preclude application to an appropriation of the limitations on expenditure specified in the new provisions of title 31, U.S.C., the statute must:

1. Identify the appropriation account for which the availability for expenditure is to be extended;

2. Provide that the appropriation account shall be available for adjusting and liquidating obligations properly chargeable to the account; and

3. Extend the availability for expenditure of the obligated balances.

B. The availability for expenditure of specific accounts may be changed only through specific legislation. Request this authority only when payment of old balances from unexpired funds (based on historical outlay data) regularly would exceed the 1 percent limitation or would severely impact the current program.

1. When the nature of a DoD Component's program requires disbursements beyond the 5-year period, the DoD Component must submit proposed changes in appropriation language to the OUSD(C)(P/B). The OUSD(C)(P/B) shall submit the proposed changes to the Office of Management and Budget for approval.

2. Absent specific authority, DoD Components, through the OUSD(C)(P/B), may seek reappropriations of closed/canceled balances and defer payment until the appropriation is available. Treat the receipt of a reappropriation as adding new budget authority.

100211. Antideficiency Act Violations

The DoD Components are required to investigate and report violations of the Antideficiency Act when certain limitations are exceeded. An Antideficiency Act can occur when an obligation is charged against a current account when the obligation otherwise would be properly chargeable (except as to amount) to an expired account, and insufficient resources exist to fund the obligation in the applicable expired account. Antideficiency Act investigation and reporting guidance is specified in Volume 14 of this Regulation.

100212. Control, Reporting, and Certification Requirements

Sections 1554 and 1556 of title 31, U.S.C., as amended, contain permanent audit, control, and reporting requirements pertaining to the liquidation of obligations.

A. Control Requirements

1. Section 1554(a) of title 31, U.S.C. stipulates that any audit requirement, limitation on obligations, or reporting requirement applicable to an appropriation must continue to apply to that appropriation following expiration of the period of availability for new obligation of that appropriation. Thus, if an appropriation act contains a limitation on the obligation of funds for a program, project or activity, or other purpose, then that limitation must continue to apply during the 5-year period following the period of availability for obligation of that appropriation. Additionally, the limitation must continue after the appropriation has been closed/canceled.

* 2. The DoD Components must establish and test internal controls to ensure that an adequate review of obligated balances is performed to support the certification in accordance with ***OMB Circular A-123 Appendix A***; and that documents are retained in accordance with Volume 1, Chapter 9**.**

3. Proper general ledger controls must be maintained for closed/canceled valid unpaid obligations and accounts receivable in closed/canceled accounts. Although balances in unexpired accounts may be used to fund closed/canceled obligations; closed/canceled obligated balances must not be posted to unexpired accounts solely because the purposes may be related. Post closed/canceled obligations to unexpired accounts only when a disbursement will be paid during the current year.

B. Reporting and Certification Requirements. Under the provisions of section 1554 of title 31, U.S.C., the Secretary of Defense, or his designee, is required to submit a report to the President and the Secretary of the Treasury concerning the unliquidated obligations, unobligated balances, closed/canceled balances, and adjustments made to appropriation accounts during the preceding fiscal year.

1. Due Date. This report is due not later than 15 days after the President submits his budget to the Congress.

2. Distribution Requirements. A copy of the report is required to be submitted to the Speaker of the House of Representatives and to the Committee on Appropriations, the Committee on Governmental Affairs, and other appropriate oversight and authorizing committees of the Senate (such as the Armed Services Committee).

3. Contents. Section 1554(b) of title 31, U.S.C. requires that these reports must contain:

a. An itemization of related appropriation accounts, identified by fiscal year and the balances identified in each account. This itemization is reported on the fiscal year-end FMS 2108.

b. A listing of each current and expired appropriation. This list is included in the fiscal year-end FMS 2108.

c. Identification of payments made from each currently applicable appropriation account with respect to those amounts that otherwise would have been properly chargeable to another account, both as to purpose and amount, except that the other account has been closed/canceled (31 U.S.C. 1553). These payments are reported on the DoD Component's Statement of Transactions.

d. Separate identification of obligation adjustments made to each currently applicable appropriation account that otherwise would have been properly chargeable to another account, both as to purpose and amount, except that the other account has been closed. These amounts are reported on FMS 2108.

e. Identification of all balances closed/canceled on September 30th of the fifth year following the expiration of an appropriation account's availability for incurring new obligations (31 U.S.C. 1552(a)). These balances are reported on the fiscal year-end FMS 2108.

f. Identification of those appropriation accounts available for an indefinite period that have been closed because: No disbursements have been made from the account for a period of 2 years; and the President or the Secretary of Defense has determined that the purposes for which the appropriation was made have been carried out (31 U.S.C. 1555).

g. A certification by the DoD Components that the obligated balances in each appropriation account of the DoD reflect properly existing obligations and that expenditures made from each account since the time of submission of the prior report were supported by a proper obligation of funds and otherwise were proper.

100213. Other Procedures

The following paragraphs specify detailed information about other review, accounting, and correction procedures regarding current and expired accounts.

A. Apportionment Procedures. *Apportionment and Reapportionment Schedule*, Standard Form (SF) 132, must reflect the following footnote: "Up to 1 percent of the original amount of the appropriation ($xxx.xx), or the unobligated balance, whichever is less, may be used for the purpose of obligation adjustments and payments, which otherwise would have been properly chargeable (both to purpose and amount) to a closed/canceled appropriation." To the extent that supplemental appropriations are enacted, reapportionment of the initial "1 percent" amount may be requested.

B. Unliquidated Obligations. The DoD Components must review remaining unliquidated balances in expired accounts and, prior to closure/cancellation, deobligate all amounts not supported by documentary evidence.

1. Each of the various levels of contract and program management retains the responsibility to ensure all transactions entered into are appropriately concluded to ensure that services and materials that remain undelivered at the time of expiration are subsequently delivered or, where such deliveries cannot be made, action is taken to terminate contractual obligations and revert the funds to maintain integrity of the funds until such time as all outstanding obligations are liquidated or claims are canceled or liquidated.

2. Financial and program managers at all activities must actively review uncompleted contracts, uncollected accounts receivable, and uncollected travel or pay advances held at their level to ensure validity of such items.

C. Payments After Closure/Cancellation of Appropriations. Do not pay amounts presented for payment that cite closed/canceled appropriations (appropriations beyond the end of the fifth year following the expiration of their availability for incurring new obligations) until the disbursing office has obtained a currently available appropriation fund cite from the funding activity.

D. Unmatched Disbursements for Closed/Canceled Accounts. When a disbursement is made properly before the closure/cancellation of the appropriation to which an obligation was charged, but is not identified and matched with the proper obligation until after the closure/cancellation of the appropriation, charge that disbursement to the closed/canceled appropriation. Make appropriate corrections to accounting records and reports as necessary. If an error is discovered in a closed/cancelled account for a disbursement made prior to the closure/cancellation of that account, then see subparagraph 100213. J.

E. Negative Unliquidated Obligations. Negative unliquidated obligation balances generally occur in an account when valid disbursements are incorrectly matched with obligations and the disbursements exceed the obligations. Negative balances represent error conditions that must be researched and corrected as quickly as possible. For additional guidance regarding negative unliquidated obligations, see Volume 3, Chapter 11.

F. Line Item Detail. The level of detail required to be maintained for expired accounts is the same as that required to be maintained for current accounts. The level of detail facilitates cost determinations and program assessment and evaluation, while permitting visibility over expired accounts, providing an appropriate audit trail, and meeting the objectives of the closing accounts legislation.

G. Uncollectible Accounts Receivable. A write-off of an uncollectible reimbursement receivable does not change total obligations within budgetary accounts. Such write-offs, however, would result in a reclassification to a direct program obligation, of an obligation previously incurred. See ***USSGL SFIS Transaction Library*** for entries to account for uncollectible accounts receivable in closed/canceled accounts.

H. Closing/Canceling an Account with a Negative Balance. The existence of a negative balance does not preclude an account from being closed/canceled. Close/Cancel such accounts, as necessary, with a receivable established for the amount of the negative balance.

1. Submit informational accounting reports (i.e., FMS 2108 and SF 133) for the applicable account until the negative balance is resolved. As appropriate, these informational reports must indicate that the account is closed/canceled, show the amount of the negative balance at the time the account was closed/canceled, and identify the current amount of the applicable receivable.

2. Liquidate a negative balance by receiving offsetting collections. Deposit collections of overpayments to miscellaneous receipts of the U.S. Treasury. An account with a negative balance may indicate that a violation of the Antideficiency Act has occurred. Immediately initiate a formal investigation upon identification. Additional information on Antideficiency Act violations may be found in Volume 14 of this Regulation.

I. Accounting for Uncollectible Accounts Receivable in Closed/Canceled Accounts. Budgetary accounts corresponding to accounts receivable must be closed/canceled when an account is closed/canceled. Total obligations within budgetary accounts do not change when the budgetary accounts are closed/canceled. The write-off of an uncollectible reimbursement receivable results in a reclassification, to a direct program obligation, of an obligation previously incurred under the reimbursable program.

1. For expected refunds, the continued identity of budgetary accounts established to track the status of obligation authority is necessary to assure that cumulative payments, even though paid from a current account, do not exceed the original appropriation of the closed/canceled account.

2. Reclassify proprietary accounts established for accounts receivable applicable to closed/canceled accounts. Deposit the subsequent collections of such amounts for this account to the miscellaneous receipts of the U.S. Treasury.

3. If, after compliance with established collection procedures, it is determined that an account is uncollectible, then write-off the account by charging a bad debt account. The write-off of an uncollectible account applicable to the reimbursable program results in a reclassification, to a direct program obligation, of obligations previously incurred under the reimbursable program.

J. Correction of Reporting Errors in Closed/Canceled Accounts

1. Corrections may be requested for two categories of errors: (a) clerical errors such as misplaced decimals, transposed digits, or transcribing errors resulting in inadvertent cancellations of budget authority; and (b) errors made in classifying a payment made prior to the closing/cancellation of an account, but not discovered until after the account was closed/canceled.

a. For clerical errors, the request must include the appropriation account number, the reason for the restoration, and convincing evidence of the clerical error to justify the restoration required to make the correction. At a minimum, this includes the original accounting record from which the incorrect posting was made and a record showing the incorrect amount.

b. For classification errors, the Department of the Treasury accepts reporting to correctly classify payments previously reported to suspense/clearing accounts or to correct classification errors between current and closed/canceled accounts.

2. Requests for corrections must be submitted by April 1 of the year after the account in question was closed/canceled. Requests must be sent to:

Monthly Treasury Statement Team
Budget Reports Division
Financial and Budget Reports Directorate
Government Wide Accounting
Financial Management Service
3700 East-West Highway, Room 518D
Hyattsville, MD 20782
Telephone: 202-874-9880

3. If a request for the correction of errors affects another DoD Component, then coordinate the request with the affected DoD Component and submit to the DFAS, Deputy Director for Accounting Operations, 8899 East 56th Street, Indianapolis, IN 46249. The DFAS must submit the requests to the Department of the Treasury after completion of its review.

4. See ***Chapter 11*** of this volume for the research and correction of unmatched disbursements and negative unliquidated obligation transactions and processing the resulting adjustments to the Department of the Treasury.

VOLUME 3, CHAPTER 11: "UNMATCHED DISBURSEMENTS, NEGATIVE UNLIQUIDATED OBLIGATIONS, AND IN-TRANSIT DISBURSEMENTS"

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 November 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter is certified as current.	Current Certification

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CHAPTER 11

UNMATCHED DISBURSEMENTS, NEGATIVE UNLIQUIDATED OBLIGATIONS, AND IN-TRANSIT DISBURSEMENTS

1101 GENERAL

110101. Purpose

This chapter prescribes the accounting standards and related management requirements necessary to establish and maintain financial control over disbursement, collection, and adjustment transactions affecting the fund balances with the Department of the Treasury and cash resources not part of the fund balance with the Department of the Treasury. The applicable general ledger accounts are prescribed in the ***United States Standard General Ledger (USSGL)***, which is described in Volume 1, Chapter 7. This chapter also prescribes the requirements for researching and correcting unmatched disbursements (UMDs), negative unliquidated obligations (NULOs), and in-transit disbursements.

1102 DEFINITIONS

110201. Chargeable Account

The appropriation (department code, fiscal year, and appropriation symbol) contained in the line of accounting cited on the obligation document that is the basis for a particular payment.

110202. Closed Account

An appropriation that has been closed in accordance with ***31 United States Code (U.S.C.) 1551-1557***. This term also includes an appropriation that otherwise would have been closed in accordance with ***31 U.S.C. 1551-1557*** but has not been closed by the Department of the Treasury because the appropriation has a negative balance.

110203. Currently Available Appropriation

An appropriation or fund against which new obligations may be incurred and recorded (as contrasted with an expired or closed appropriation against which new obligations may not be incurred).

110204. Disbursement

For purposes of matching a disbursement to its proper obligation, the term disbursement as used in this chapter refers to the amount charged to a separate line of accounting. While a single payment may be charged to multiple lines of accounting, for purposes of matching a disbursement to its proper obligation as addressed in this chapter, each amount charged to a separate line of accounting is treated as a separate disbursement and must be matched to its corresponding obligation. The term disbursement is defined in Volume 1, "Definitions." Disbursing policy and procedures are addressed in Volume 5, "Disbursing Policy and

Procedures." Procedures in this chapter are intended to better ensure that a disbursement is matched to its applicable corresponding obligation in a timely manner.

110205. Disbursement Not Sent

A disbursement transaction that has been reported to the Department of the Treasury by a disbursing office, but has not yet been transmitted to the accounting office.

110206. Expired Appropriation

An appropriation or fund that is not available for new obligation, but is available for disbursements, collections, and obligation adjustments as it has not yet been closed.

110207. Fund Holder

An individual holding an administrative subdivision of funds or an operating target, who is responsible for incurring obligations against the administrative subdivision or target and for managing the use of such funds.

110208. Funding Account

The appropriation (department code, fiscal year, and appropriation symbol) contained in the line of accounting cited on the obligation document provided to fund a disbursement that otherwise would have been chargeable to a closed appropriation.

110209. In-transit Disbursement

Disbursements that have been reported by a disbursing office, through a paying center, to the Department of the Treasury and charged against the Department's fund balances, but have not yet been received or processed by the applicable accounting office for recordation against the applicable corresponding obligation. This includes interservice, intraservice, and interfund disbursement transactions. This definition includes disbursements originating outside the DoD.

110210. Negative in-transit Disbursements

Negative in-transit disbursements are the exact opposite of in-transit disbursements. The accounting office has processed disbursements for recordation against the applicable corresponding obligation but the disbursing office has not reported the disbursements, through a paying center, to the Department of the Treasury and charged against the Department's fund balances.

110211. Negative Unobligated Balance

An appropriation or fund in which the amount of obligations exceeds the amount of obligational authority. (In closed appropriations, the available obligational authority is equal to the unobligated balance.)

110212. Negative Unliquidated Obligation

A disbursement transaction that has been matched to the cited detail obligation, but the total disbursement(s) exceeds the amount of that obligation.

110213. Obligation

For purposes of matching a disbursement to its proper obligation, as addressed in this chapter, the term obligation refers to each separate obligation amount identified by a separate line of accounting. While a single order may be funded by multiple lines of accounting, for purposes of matching a disbursement to its proper obligation, as addressed in this chapter, each line of accounting represents a separate obligation amount to which the resulting disbursement must be matched. Obligations are defined as amounts of orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same, or a future, period. Such amounts include payments for which obligations previously have not been recorded, and adjustments for differences between obligations previously recorded and actual payments to liquidate those obligations. The amount of obligations incurred is segregated into undelivered and delivered orders - paid or unpaid. No amount must be incurred as an obligation by any DoD Component except in accordance with Chapter 8.

110214. Overaged Disbursement (Unmatched, Negative Unliquidated, or In-Transit)

A disbursement that is not matched to a corresponding obligation within the timeframes specified in section 1105 or 1114.

110215. Prevalidation

Prevalidation is a procedure that requires a proposed payment be identified/matched to its applicable proper supporting obligation that has been recorded in the official accounting system and that the line(s) of accounting cited on the payment match the data recorded in the accounting system. Prevalidation procedures help to better ensure that contracts are not overpaid.

110216. Undistributed Disbursement

Undistributed disbursements represent the difference between the amount of disbursements reported to the Defense Finance and Accounting Service (DFAS) centers by the Department of the Treasury finance network and the amount of disbursements recorded by the operating level activities.

110217. Unexpended Balance

The sum of the unobligated balance and the unliquidated obligation balance of an appropriation.

110218. Unliquidated Obligation Balance

The amount of obligations that have not been liquidated by payments (disbursements).

110219. Unmatched Disbursement

A disbursement transaction that has been received and accepted by an accounting office, but has not been matched to the correct detail obligation. This includes transactions that have been rejected back to the paying office or central disbursement clearing organization by an accounting office.

110220. Unobligated Balance

The difference between the total appropriation availability and the total obligations.

1103 DISBURSEMENT POSTING POLICY

110301. Matching Disbursements to Obligations

It is DoD policy that a disbursement be matched to its corresponding, detail-level obligation and be recorded as promptly as current systems and business practices reasonably permit. The vast majority of obligations and disbursements are matched automatically--via the Department's various system interfaces. However, some obligations and disbursements are required to be manually matched, mainly due to nonautomated processes or the rejection of transactions by automated systems. When a disbursement is recorded in the accounting system but not matched to an obligation, the disbursement must be recorded as a UMD. When a disbursement is recorded in the accounting system and is matched to an obligation, but the amount of the disbursement exceeds the amount on the recorded obligation, the amount of the disbursement in excess of the applicable obligation must be recorded as a NULO. Obligations must be established and recorded for all UMDs and NULOs no later than September 30 of the year that the cited appropriation is scheduled to be closed--regardless of the date that the disbursement was made.

A. Requirement to Research UMDs and NULOs. Research and correction actions must begin as soon as it is apparent that a disbursement transaction has resulted in a UMD or a NULO. The accounting office involved must immediately determine whether the disbursement is a valid charge to the fund holder, and whether a matching obligation transaction is recorded under a different or incorrect document number. If the disbursement is not a valid charge to the fund holder, the accounting office must reject the disbursement in accordance with paragraphs 111404.C.3 or 111405.D.3. If a matching obligation is recorded under a different or incorrect document number, the fund holder immediately must effect a correction from the incorrect document number to the correct document number, thus allowing for the proper matching of the disbursement to its corresponding, detail-level obligation. If an accounting adjustment affects a contract payment, contract reconciliation will be performed in accordance with Volume 10, Chapter 20. Other research requirements are specified in section 1107.

1. Timeframes for resolving UMDs and NULOs are delineated in section 110501; these timeframes are different for "collocated" disbursements and "noncollocated" disbursements. All UMDs and NULOs result from the following two basic processes:

a. Collocated Disbursement. A "collocated" disbursement is created when the accounting office responsible for recording the disbursement in the accounting system and the disbursing/entitlement office responsible for certifying the disbursement are collocated.

b. Noncollocated Disbursement. A "noncollocated" disbursement is created when the accounting office responsible for recording the disbursement in the accounting system and the disbursing/entitlement office making the disbursement are not collocated.

2. Research procedures for resolving UMDs and NULOs are delineated in section 1107.

B. Requirement to Record an Obligation for Unresolved UMDs and NULOs. An appropriation manager and/or fund holder must be immediately notified of applicable UMDs or NULOs. In the event that research efforts fail to result in the correction and elimination of the condition, the appropriation manager or fund holder must be advised of the requirement to establish a matching obligation within the timeframes delineated in subsection 110501. If the appropriation manager or fund holder fails to record an obligation, the accounting office must record an obligation for unresolved UMDs and NULOs in accordance with paragraphs 110501.A.3 or 110501B.4 as applicable.

C. Requirement to Establish Obligations for UMDs and NULOs at the Transaction Level. Disbursements must be matched to their corresponding obligation at the detail transaction level. Obligations recorded for UMDs and NULOs in accordance with section 1105, i.e., after due research, must be recorded at the detail transaction level as follows:

1. An obligation in the amount of the disbursement must be recorded at the transaction level for UMDs.

2. An obligation adjustment in the amount of the disbursement in excess of the applicable obligation must be recorded at the transaction level for NULOs.

1104 TREATMENT OF OVERAGED UMDs/NULOs

110401. Current and Expired Accounts

A. Unobligated overaged NULOs and UMDs have the first claim to the unobligated balances in any of these accounts. New obligations, or new upward obligation adjustments, may be executed only when, and to the extent that there is an unobligated balance remaining in an account after all overaged NULOs and UMDs have been obligated. Thus, no

new obligations or obligation adjustments may be incurred in the account to the extent that unobligated balances in such accounts are zero, or overaged NULOs and UMDs--if they are obligated--when added to obligated balances, would exceed the availability in such accounts.

B. Except as provided for in paragraphs 110401.C to E, DoD Components may continue to research overaged NULOs and UMDs without the need to initiate an investigation of a potential violation of the Antideficiency Act.

C. Should an account be obligated fully--but not overobligated--and have unresolved overaged NULOs and UMDs that, if obligated, would exceed the availability in an account, payments to vendors and others may continue, provided that the account is not in danger of being overdisbursed. However, in no case may disbursements exceed the unexpended balance of an account. Should the account become overdisbursed, payments from the account must stop immediately, and the DoD Component involved must report a potential violation of the Antideficiency Act. The DoD Component also must initiate an investigation of the potential violation in accordance with Volume 14.

D. Should a new obligation or obligation adjustment be incurred in an account that has been obligated fully as a result of unresolved, overaged UMDs or NULOs, such an obligation must be recorded even though it will result in recorded obligations in excess of available resources. Additionally, the DoD Component involved must report a potential violation of the Antideficiency Act and initiate an investigation of a potential violation in accordance with Volume 14.

E. No guidance in this chapter should be construed as authorizing a delay in (1) the recording of an executed obligation that would result in an overobligation or (2) the requirement to conduct an investigation of a potential violation of the Antideficiency Act that results from any action other than the sole requirement to obligate amounts for UMDs and NULOs.

110402. Accounts Closed/Scheduled to Close at the End of the Current Fiscal Year

A. Obligations must be established by September 30 for all UMDs, NULOs and in-transit transactions in appropriations scheduled to close at the end of the current fiscal year.

B. If such obligations result in obligations in excess of available funds, the DoD Components are permitted 6 months from the scheduled date of closure of the account to resolve the negative balance.

C. If the account is not returned to a positive balance within 6 months of the scheduled date of closure of the appropriation, the DoD Component involved must report a potential violation of the Antideficiency Act and initiate an investigation in accordance with Volume 14.

* D. Each administrative subdivision of an appropriation carries with it the responsibility for any potential or actual violation of the Antideficiency Act that might be incurred. A DoD Component has the right to modify the number or level of administrative subdivisions within an appropriation before the closure of an appropriation. However, once an appropriation closes, no further modification or change may be made in the number or level of administrative subdivisions. Further, the modification of number or level of subdivision does not override the requirements in Volume 6A, Chapter 4, section 040601 regarding the level of reporting on the Appropriation Status by Fiscal Year Program and Subaccounts (Acct Rpt (M) 1002) or control requirements in Chapter 10, subparagraph 100212.A.1.

E. A new cash disbursement, which would be chargeable (both as to purpose and amount) to an appropriation except that the appropriation is closed, must be paid from an appropriation that currently is available for the same purpose. However, a proposed payment may not exceed the:

1. Unexpended balance of the closed appropriation.

2. Unobligated balance of the currently available appropriation charged.

3. One percent limitation, discussed in paragraph 110402.F.

F. The cumulative amount of payments charged to a currently available appropriation, because the original appropriation(s) that otherwise would have been charged has been closed, may not exceed 1 percent of the total amount appropriated to the currently available appropriation being charged.

G. A payment must not be made if it exceeds the amounts stipulated in paragraph 110402.E. Instead, the office funding the proposed payment (contract) must contact the Military Department Assistant Secretary for Financial Management and Comptroller or Defense Agency Comptroller for referral to the USD(C) for appropriate disposition.

H. Corrections of payments involving closed appropriations must be processed as inter- and intra-appropriation adjustments. Such corrections generally do not require the obligation of currently available funds or deposits to the miscellaneous receipts account if the payment occurred before the closure of the applicable appropriation, or appropriations available for new obligation already have been charged properly.

I. Inter- and intra-appropriation adjustments to correct accounting records must <u>not</u> be accomplished by using a cash disbursement or cash collection.

J. A potential violation of the Antideficiency Act must be reported and a preliminary review of an Antideficiency Act violation initiated if posting an adjustment to a current, expired or closed appropriation would result in either (1) a negative unobligated balance or (2) disbursements that are in excess of the amount appropriated, at either the appropriation level or a portion thereof that has been subdivided for Antideficiency Act purposes.

K. Perpetual balances of unobligated amounts and unliquidated amounts must be maintained for each closed appropriation. Should the unobligated balance in a closed appropriation be negative, or should the unexpended balance be negative, then a potential violation of the Antideficiency Act would have occurred, and must be reported and investigated.

L. All disbursements or collections, or adjustments to disbursements and collections, involving current, expired, or closed appropriations, must be reported to the Treasury. However, a correction in which both the debit and credit entry cite a closed appropriation must not be reported to the Treasury.

110403. Expenditure Controls

The DoD Components must work with the DFAS to implement effective controls to prevent overexpenditures in accounts that may be in an overobligated position or that have UMD or NULO balances that exceed the unobligated balance in the account. This action is necessary because normal controls for determining expenditure availability are based on the unexpended balance of the detail obligations.

1105 RESPONSIBILITIES FOR FUNDING OVERAGED UMDs AND NULOs

110501. Accounting Offices – DFAS and Other (Non-DFAS) Components

A. When an accounting office has an obligation document that corresponds to a disbursement that has resulted in a UMD or NULO, but the obligation document has not been recorded, or not recorded for, or adjusted to, the proper amount, the accounting office must:

1. If the dollar amount is $2,500 or less, immediately record the obligation and notify the fund holder of the action taken.

2. If the dollar amount exceeds $2,500, immediately provide the fund holder with a copy of the obligating document or disbursing document (in the case of a duplicate or overpayment) and request that the fund holder record an obligation or obligation adjustment, within 10 calendar days of notice.

3. If the fund holder does not record the requested obligation, or obligation adjustment, within 10 calendar days of notice, record the obligation, or obligation adjustment, within the subsequent 10 calendar days. The accounting office must notify the fund holder of any action taken.

B. When an accounting office does not have an obligation document that corresponds to a “collocated” or “noncollocated” disbursement that has resulted in a UMD or NULO, the accounting office must:

1. Immediately inform the fund holder of the UMD or NULO and also research the cause of the UMD or NULO. The required supporting documentation should be readily available for "collocated" disbursements, since the entitlement and accounting functions are collocated. The required supporting documentation may not be readily available for "noncollocated" disbursements, since the entitlement and accounting functions are not collocated.

2. Conduct research as required in section 1107 (for example, the accounting office must contact the disbursing office for "noncollocated" disbursements and request supporting documentation, or check for contracts via electronic data access) and provide the fund holder the results of the research within 30 days for "collocated" offices and within 60 days for "noncollocated" offices from the identification of the UMD or NULO. The Director or designee must advise the fund holder of the type, extent, and results of the research performed. Supporting documentation accumulated in the performance of the research must be retained and made available to the fund holder upon request.

3. Request that the fund holder record an obligation within 60 calendar days of notice (this request must be documented). The 60 calendar days should provide the fund holder sufficient time to research commitment and obligation files, evaluate the research documents provided by the accounting office, and/or request additional funding as required. Upon completion of the fund holder's research, the fund holder must either initiate the obligation input into the accounting system or provide the obligating document to the accounting office for recordation. Therefore, "collocated" offices have a total of 90 days to research and resolve a UMD or NULO and "noncollocated" offices have a total of 120 days to research and resolve a UMD or NULO.

4. If the fund holder does not record the requested obligation or obligation adjustment within 60 calendar days of notice, or does not provide documentation to the accounting office to support the recording of an obligation or obligation adjustment by the accounting office, the accounting office must, within the subsequent 10 calendar days, record an obligation or obligation adjustment using the disbursement document as supporting documentation. (At the time of disbursement, the supporting documentation requirements delineated in Volume 10, Chapter 8, "Commercial Payment Vouchers and Supporting Documents," and the payment certification procedures delineated in Volume 5, Chapter 11, "Disbursements" must be available to ensure the validity of a disbursement.) Therefore, the disbursement document is sufficient to support the recording of a matching obligation.

C. Within five work days of recording an obligation or obligation adjustment in accordance with the provisions of subparagraphs 110501.A and 110501.B, the accounting office must provide the fund holder with a record of all obligations or obligation adjustments recorded by the accounting office on its behalf; this record must be documented (systemically or manually) and must identify the input date, amount of the obligation, and the identification of the individual recording the obligation.

D. Obligation and obligation adjustment transactions must be recorded at the detail document/transaction level to ensure the proper matching of obligation and disbursement transactions and to properly affect unobligated balances.

E. If a determination is made, upon research by the accounting office or a fund holder, that a charge is not a valid charge to the fund holder, the accounting office must, within five work days, (1) reverse the charge made against the fund holder's account, and (2) if necessary, transfer accountability for the charge in accordance with contract reconciliation procedures delineated in Volume 10, Chapter 20.

F. When the accounting office records a valid obligation or obligation adjustment that was not previously recorded and that action indicates a potential Antideficiency Act violation, the DoD Component immediately must be notified and the DoD Component must conduct a preliminary review of the potential violation in accordance with Volume 14, Chapter 3.

G. When there is an indication of a potential duplicate payment or overpayment, the accounting office promptly must review all applicable payment files. If there is a duplicate payment or overpayment, the accounting office must record a refund receivable and initiate a recovery of funds action. Additionally, the accounting office must record a NULO, as applicable; and advise the fund holder that the NULO requires obligation within the timeframes specified in subparagraph 110501.A.

H. In accordance with Chapter 8, subsection 081207, disbursement documents that support obligations that have not been recorded previously must be recorded at the obligation-paid stage of accounting with a corresponding decrease in the uncommitted/unobligated balance of the affected allotment.

I. In accounting for closed appropriations, accounting offices must:

1. Maintain the official accounting records for <u>all</u> corrections to the balances of closed appropriations and funds.

2. Establish appropriate controls over closed appropriations by, at a minimum, initiating the following actions:

a. Submit all corrections to closed appropriations to the applicable centralized accounting center. All corrections to closed appropriations must be transmitted to the applicable accounting center for posting to the accounting center's accounting records and/or approval to post to the accounting office's accounting records. The accounting center's accounting records must support the accounting records of the accounting office responsible for the administrative control of the closed appropriation.

b. Develop and implement procedures to ensure that all transactions affecting closed appropriation unobligated and unliquidated balances are provided to the appropriate accounting center responsible for maintaining the unobligated and unliquidated obligation balances.

3. Adjust detailed records to reflect accounting corrections when detailed records are still being maintained for contract payment or other purposes. If an accounting adjustment affects a contract payment, contract reconciliation will be performed if required by and in accordance with Volume 10, Chapter 20.

4. Record corrections for UMDs, NULOs, and in-transit disbursement transactions for which research actions have been completed and correcting accounting transactions have been identified and submitted by a DoD Component:

a. Except as provided for in subparagraph 110501.I.4.b, record corrections received from DoD Components within five work days of receipt. (The recording of such corrections must not be delayed pending the completion of contract reconciliation or other related actions.)

b. Reject a proposed correction if the proposed correction is in error. (A proposed correction may not be rejected solely because a contract has not been reconciled fully or other actions have not been completed.)

J. In accounting for closed appropriations, accounting centers must:

1. Maintain the official Treasury records for all corrections to the balances of closed appropriations and funds.

2. Ensure that the beginning, expended unpaid balance of each closed appropriation accurately reflects the official Treasury balance of the appropriation on the date of closure.

3. Perform a one-time review of each closed appropriation to ensure that the beginning Accounts Payable (Obligations - Unpaid) balance of each closed appropriation accurately reflects the balances on the Standard Form (SF) 133, “Report on Budget Execution and Budgetary Resources”, as of the date of closure.

4. Ensure that an adequate audit trail is maintained for all corrections affecting closed appropriations, including any offsetting associated corrections to current or expired appropriations.

110502. Disbursing Offices

A. A disbursing officer (DO) must ensure supporting documentation is provided to the accounting office or fund holder upon request. Such supporting documentation must be provided no later than 30 calendar days after request. Supporting documentation may

include a copy of the contract, payment voucher, receiving report, and vendor invoice. Such supporting information also may be obtained or provided via electronic data access. All disbursements must remain classified in the accounting system to the line of accounting in which originally reported until resolved. All invalid transactions recorded in suspense accounts F3875 and F3885 must be reclassified in the accounting system to the correct line of accounting or resolved and cleared from the suspense account.

1. Transfer positive balances to the miscellaneous receipt account of the Department of the Treasury in accordance with Volume 5, Chapter 10.

2. For negative balances, initiate action for a discontinued research approval as specified in section 1108 or a potential Antideficiency Act violation in accordance with Volume 14 as appropriate.

B. A DO is responsible for recouping an overpayment in accordance with internal recovery procedures for refunds due from the public. Since the overpayment or a duplicate payment may have caused a UMD or NULO, the DO must assist, as required, in the research of UMDs and NULOs.

110503. Office of the Under Secretary of Defense (Comptroller), Program/Budget

The Office of the Under Secretary of Defense (Comptroller), Program/Budget (OUSD(C) P/B) must ensure the following actions are taken when (a) funds in a particular Defense-wide account are allocated to a number of fund holders (limits) and (b) disbursements exceed obligations at the appropriation level, but not at a fund holder's level:

A. The applicable DoD Component(s) reserves, commits, or obligates appropriate amounts against the fund holders' accounts.

B. A report of a potential Antideficiency Act violation is submitted to the USD(C), when applicable.

C. An investigation of a potential Antideficiency Act violation is initiated, when warranted, in accordance with Volume 14.

D. Corrective actions are taken by the fund holder and the applicable accounting office, as appropriate. Corrections must be adequately supported and must identify the cause of the error.

110504. Fund Holders

OUSD(C) P/B, the Military Department Assistant Secretaries (Financial Management and Comptroller), Comptrollers of the Defense Agencies and DoD Field Activities, and other fund holders must:

A. Designate an appropriation manager to receive process and take actions on notifications from the DFAS or other accounting offices, and to take other appropriate action(s) regarding the stoppage of payments, the obligation of disbursement transactions within prescribed timeframes allotted for such action(s), and other actions provided for in this chapter.

B. Obligate funds within the timeframes specified in subsection 110501 after the receipt of an initial notification from the cognizant accounting office that a disbursement is unmatched or exceeds an obligation at the allotment/fund holder level. If sufficient unobligated balances are not available, an investigation of a potential Antideficiency Act violation must be initiated, when warranted, in accordance with Volume 14.

C. Forward to the cognizant accounting office, as appropriate, either an obligation document, or a funding document together with an obligation document, to cover the amount of the unmatched disbursement or the disbursement that exceeds the obligation within the timeframes specified in subsection 110501, upon notification from the cognizant accounting office that:

1. A disbursement exceeds an obligation at the obligation level, and

2. The condition has not been corrected.

D. Request a realignment of funds within an account or between accounts, a reprogramming of funds, a deficiency supplemental, or other acceptable funding solution, as applicable and appropriate, to the extent sufficient availability does not exist in the appropriation (or other administrative subdivision of funds). Also, forward supplemental funding documents to the cognizant accounting office to cover any funding shortfalls.

E. Initiate a review, immediately, of the circumstances to determine whether an investigation of a potential Antideficiency Act violation is warranted in accordance with Volume 14 and, as appropriate, notify the USD(C) of the following conditions:

1. A fund holder may not have sufficient unobligated balances available that equal, or exceed, the amount by which disbursements exceed obligations incurred;

2. A potential violation of the Antideficiency Act may have occurred;

3. A report of violation is warranted in accordance with Volume 14 if the investigation reveals that an Antideficiency Act violation has occurred; and

4. The cognizant accounting office corrected any error(s) determined to be the cause of the condition upon review or investigation.

F. Develop and implement standard procedures for determining the timeframes and procedures for record retention applicable to detail accounting transaction records for closed appropriations. These procedures must ensure that required balances of each appropriation are accurately maintained while minimizing the cost associated with maintaining

large databases or record files of completed transactions for records which no longer are required. See Volume 1, Chapter 9 for retention guidance.

110505. DoD Components

In addition to the responsibilities addressed in subsection 110504, the DoD Components must maintain detail and summary records of adjustments made in accordance with this chapter to ensure an adequate audit trail and to respond to inquiries from organizations internal and external to the Department.

110506. DoD Fund Holders

In addition to the responsibilities addressed in subsection 110504, the DoD fund holders must resolve UMDs and NULOs, upon notice, within the timeframes specified in subsection 110501. The fund holder must:

A. Research each UMD and NULO to determine whether the disbursement cites a fund citation for which the fund holder is responsible, and if an obligation is, or is not, recorded.

1. If the fund holder determines that the disbursement should be charged to another fund holder, the fund holder must inform the accounting office immediately.

2. If the disbursement is erroneous or contains an incorrect fund citation, the fund holder must inform the accounting office immediately.

3. If an obligation is recorded in the accounting system, but against a different or incorrect document number, the fund holder must correct the document number within five workdays and immediately advise the accounting office (thus allowing the accounting office to match the obligation transaction and the disbursement transaction).

4. If an obligation has not been recorded in the accounting system, the fund holder must take the following steps:

a. Use such material as may be provided by the accounting office (in accordance with section 1107) or obtained by the fund holder to facilitate the research.

b. Obtain the required obligating document and record the obligation at the detail document level, thus allowing the accounting office to match the obligation transaction and the disbursement transaction.

c. Provide a copy of the obligating document to the accounting office if required by the accounting office for supporting documentation.

B. Deobligate any invalid and/or unsupported obligations. Footnote the reasons for such deobligations on the applicable journal voucher (JV) or open document listing supporting the deobligation action in accordance with Chapter 8, section 0804, "Triannual Reviews of Commitments and Obligations."

C. Assist the DFAS in the reconciliation of commitment and obligation information between the pay/contract/vendor system and the accounting system.

1106 PRIORITIES FOR RESEARCHING AND CORRECTING UMDs

The following priorities are established for researching and correcting all disbursement transactions that have not been properly matched to the correct obligation:

110601. First Priority

Appropriations or funds specifically requested by the OUSD(C).

110602. Second Priority

Appropriations or funds in an over-expended or overobligated status, regardless of whether the appropriation is in a current, expired or closed status, as well as other appropriations, funds or transactions that have caused, or are anticipated to cause, stop payment orders or create a negative balance "condition" within the next 60 days.

110603. Third Priority

All other appropriations and funds, whether in a current, expired, or closed status.

110604. Secondary Priorities

Within each priority group, appropriations or funds with the highest negative balance/amount of UMDs generally must be researched ahead of appropriations or funds with lower balances/amounts. Within each appropriation or fund, prioritize transactions and documents beginning with the highest dollar value and continue to work the transactions and documents within that appropriation.

A. Continue this priority until all applicable transactions in the appropriation or fund are researched and corrected and the account is restored to a positive balance, NULO balances are eliminated and/or UMDs are matched, as applicable.

B. Not all transactions in an account must be matched or resolved before beginning research efforts in another account.

110605. Posting Procedures

Necessary corrections to transactions and accounts should be made in accordance with sections 1109 through 1112.

1107 MINIMUM RESEARCH REQUIREMENTS FOR OVERAGED NULOs/UMDs

110701. General

The following research actions are the minimum steps required for all UMD and NULO transactions.

110702. Contracts

A. Accounting Office Actions

1. Select contract(s) for review based either on a large individual UMD transaction or NULO condition and/or large aggregate total UMD transactions or NULO conditions.

2. Obtain the accounting system transaction history maintained in the accounting office and the payment transaction history from the disbursing office, or the output of obligation and payment differences from an accounting system/payment system comparison program if there are numerous unmatched disbursements showing incompatibility with the funds or amounts on the contract.

3. Review the output of a comparison program of the accounting and payment systems, when available. This can substitute for transaction histories from either system, and will reveal obligation modifications recorded in one system but not the other, as well as potentially omitted modifications.

4. Review obligation transactions recorded in the accounting system to determine that all contract modifications have been recorded.

5. Follow up with the contracting office and contract administration office to verify that all modifications have been recorded, and request that any contract modification errors and omissions be corrected or recorded when a missing contract modification is suspected.

6. Determine indicated error condition of each unmatched disbursement (e.g., wrong appropriation or insufficient funds) to guide further research.

7. For a UMD, make a system inquiry, or request the accounting system closed contract history if there is no contract on the active accounting system records. If the contract is in the closed history file, take action to reopen the contract and record the transaction.

8. Review unmatched transactions for indications of specific error conditions. Such conditions include omitted progress payment recoupments for a contract having progress payments, inappropriate appropriation data configurations, or duplicate submission of payment data.

9. Report corrections made to transactions for accounting system recording, (e.g., changes to the appropriation data configuration) to the disbursing office for correction of its records.

10. Reject, back to the disbursing office for correction or recovery, those transactions that cannot be corrected, such as wrong accounting office or suspected overpayments. Take related required central reporting system actions.

11. Request selected voucher copies and supporting information when a centrally-administered contract is still open on the DFAS-Columbus Center's payment records and reconciliation cannot be accomplished between the accounting system transaction history and payment system transaction history.

B. Disbursing Office Actions

1. When a request for information on payment transactions is made by an accounting office, search the files for payment vouchers and, if available, provide a copy to the requesting office. If the payment records and files cannot be found due to age or apparent loss, respond as promptly as possible regarding these facts.

2. Review contract payment files promptly and verify whether the reported reject reason is correct when a disbursement transaction is rejected back from an accounting office with evidence that it was misrouted or is a duplicate or overpayment. If the rejection is valid, initiate a correction or recovery of funds for the duplicate or overpayment and respond as to the action taken.

110703. Reimbursable Order/Military Interdepartmental Purchase Request (MIPR)

The accounting office must:

A. Check the UMD for error reason codes, such as insufficient funds or unmatched document number.

B. Refer the transaction for review to the ordering office or ordering command fund manager, as indicated by the obligation document number.

C. Record the transaction, when the ordering office or command validates the transaction and authorizes the obligation action.

D. Allow the ordering office up to the timeframes specified in subsections 110301 and 110501, beginning from the date of disbursement, to resolve and/or fund (obligate) the order/MIPR when the ordering office gives intent to do further research to resolve costs billed.

E. Refer the transaction to the disbursing office for additional information or correction when the ordering office cannot validate the transaction.

110704. Travel Orders

The accounting office (unless otherwise indicated) must:

A. Determine if a travel payment which results in a UMD transaction, identifies the traveler or is traceable to a separate travel system record.

B. Determine if the original obligation has been recorded in the accounting records when travel system records indicate closure of the travel order record with proper deduction of advances.

C. Record the amount of obligation (the initiating travel office) and record any UMDs (accounting office) when evidence shows that an obligation has not been recorded in the accounting system.

D. Request a copy of the travel settlement voucher from the disbursing office to support the transaction if travel system records do not indicate how a payment was used to liquidate a travel order record.

110705. Military Standard Requisitioning and Issue Procedures (MILSTRIP) Requisitions

The accounting office must:

A. Review MILSTRIP transactions for discrepancy report and billing adjustment status. Submit billing adjustment requests, when required, in accordance with ***DoD 4000.25-7-M***. Any billing adjustment request must be submitted within 1 year of the billing date (2 years for Foreign Military Sales).

B. Submit a follow-up request if a billing adjustment request previously has been made.

C. In accordance with the Military Standard Billing System (MILSBILLS), ***DoD 4000.25-7-M***, Chapters 3 and 4, accept the MILSBILLS transaction if a billing adjustment has not been requested, and the time period has expired.

110706. Unidentified Document Numbers

The accounting office must:

A. Review the unmatched transaction for a disbursing office number and other data to ascertain the source of the obligation, e.g., the voucher number and code.

B. If there is a valid disbursing station number, refer the transaction to that disbursing office for verification and the furnishing of supporting documentation.

C. Refer the transaction to the applicable office or command if there is an indication of the source of the obligation, even though the transaction has no disbursing station number or the disbursing office cannot identify the transaction.

D. Record the transaction when the disbursing office or obligating office can identify a properly recorded obligation document.

E. Record an obligation transaction when the obligating office can identify the obligation document, but there is no current open obligation.

110707. Other Transactions

A. Accounting Office Actions

1. Review transactions to determine their purpose and nature; for example, supplemental payroll payment, express or other transportation services or hearing officer examination reporting services.

2. Request the disbursing office furnish missing documentation or any other material that would indicate the source of an obligation or basis for the payment when payment voucher support is missing or is incomplete.

3. Forward transactions to the funding office that have no matching accounting records but have an indication of an obligation, such as an order number. Include an explanation of the apparent nature and purpose of the expenditure; request research of the circumstances of the unrecorded obligation; and obtain support to show that the payment was not improper.

4. If there is no indication of an obligation, review the supporting documentation for any indication that the disbursement may have been incorrectly coded or other errors may have been made.

B. Funding Office Actions

1. Record a transaction when it can be matched to a prior unliquidated obligation.

2. If a transaction does not match, continue research efforts, including trying to identify erroneous document numbers, etc.

1108 REQUEST TO DISCONTINUE UMD/NULO RESEARCH

110801. General

Notwithstanding the obligation of funds in accordance with section 1105, UMDs and NULOs may continue to be researched. For transactions of $2,500 or less, the decision to continue (or discontinue) research is at the discretion of the fund holder. For transactions over $2,500, the Military Department Assistant Secretaries (Financial Management and Comptroller) or Defense Agency Comptroller, respectively, may require the fund holder to continue research action. If continued research is explicitly required of the fund holder, written approval to discontinue research must be obtained from the Military Department Assistant Secretaries (Financial Management and Comptroller) or Defense Agency Comptroller, respectively, for transactions over $2,500. However, once the required obligation or obligation adjustment has been recorded for a UMD or NULO, the DFAS must discontinue reporting the UMD or NULO regardless of whether research efforts continue.

110802. Minimum Criteria

The minimum criteria for requesting approval to discontinue research:

A. There is no indication that an overpayment or a duplicate payment has been made and not fully collected.

B. For contracts closed by the DFAS:

1. A preclosing payment review has been completed.

2. Unmatched disbursement(s) or NULO conditions, which cannot be resolved, will not exceed the contract total if recorded.

C. For erroneous document numbers when neither the disbursing office, or indicated obligating office, can furnish information or support the disbursement.

D. For travel orders when an unmatched transaction contains insufficient information for research and cannot be traced due to age.

E. Requests to discontinue further research efforts may be forwarded when the research steps listed in section 1107 cannot be completed because of missing or insufficient documentation, and steps to request or obtain the missing documentation or clarification of the insufficient documentation were taken as specified but have not produced results, and further efforts do not appear to be cost-effective.

F. The following information must be submitted in support of each request to discontinue research:

1. A separate report listing the individual transactions for each appropriation, by responsible accounting office, must be provided.

2. A summary of research efforts and other steps taken to obtain missing documents or additional support for insufficient documentation must be provided. As a minimum, the summary report must include statements advising that the following actions were taken:

a. When applicable, transaction histories of the respective accounting and payment systems were obtained, reviewed, and compared for omitted transactions and other differences.

b. For omitted documents or noted differences, a request to obtain the documents or other clarifying evidence was made to the appropriate funding or contracting office for obligation documents and payment office for payment supporting documents.

c. Information regarding the research success achieved, as reported by the office to which requests were made, that the request for documentation and supporting information could not be accomplished due to invalid document number references, lost or misfiled documents, or inadequate data for searching files.

d. Sufficient actions were taken during the research efforts to provide reasonable assurance that no duplicate payments or other overpayments remain outstanding and no fraud has occurred involving the disbursement transactions for which research efforts are requested to be discontinued.

110803. Reporting of Continued Research Efforts

After the research required by section 1107 is accomplished by the accounting office and the fund holder, and the researched UMDs and NULOs are properly resolved, and/or required obligations or obligation adjustments are recorded, further research or reporting of such UMDs or NULOs is not required. If a fund manager and/or the accounting office later identify the need for an additional adjustment or correction and provide the appropriate adjusting/correcting document, the appropriate adjustment/correction must be recorded.

1109 CORRECTION/POSTING DISBURSEMENTS – APPROPRIATED FUNDS

110901. General

This section cites general procedures for recording corrections of prior disbursements erroneously charged to the wrong obligation or otherwise erroneously posted. The procedures are stated in general terms in recognition of the numerous accounting systems, each of which has

specific transaction identifiers and processing requirements. The procedures in this section apply to disbursement transactions that have been or should have been charged to direct appropriations.

110902. Correction of Disbursement – Current/Expired Appropriation

Corrections of prior disbursements or posting errors when the correct obligation has been identified and the appropriation that should have been charged is an appropriation that is in a current or expired status:

A. To properly record a disbursement in an appropriation that should have been charged, adjust the records of the current or expired appropriation by taking one of the following two actions as appropriate:

1. If a disbursement exceeds a prior obligation (that is, if it has created a NULO), an adjustment to the prior obligation is required; therefore, increase the amount of obligation previously recorded to eliminate the NULO.

2. If a disbursement was made for which an obligation previously was not recorded, or otherwise has not been identified, an obligation is required; therefore, record an obligation and match the disbursement to the obligation.

B. To correct the improper charge to a current or expired appropriation that was charged previously in error, adjust the records of the appropriation by taking one of the following two actions:

1. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remains unmatched, record a recoupment reversing the prior disbursement.

2. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established in accordance with subsection 110905, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

110903. Correction of Disbursement – Closed Appropriation (Before Closure)

Corrections of prior disbursements or posting errors when the correct obligation has been identified and the appropriation that should have been charged is a closed appropriation and the disbursement occurred before closure of the correct chargeable appropriation:

A. To reflect the charge properly to the closed appropriation that should have been charged initially (before it was closed), process a memorandum charge to the closed appropriation.

1. Adjust the records of the closed appropriation to reflect the previous disbursement by taking one of the following two actions, as appropriate:

a. If the correct detail obligation was recorded in the closed appropriation (prior to the closure of the appropriation), match the prior charge (disbursement) to the appropriate prior obligation in the closed appropriation and reduce the unliquidated balance of the closed appropriation. (There should be no change in the unobligated balance of the closed appropriation.)

b. If the correct detail obligation was not recorded in the closed appropriation (prior to the closure of the appropriation) or otherwise has not been identified, make a memorandum record of the disbursement and reduce the unobligated balance of the closed appropriation. (There should be no change in the unliquidated obligation balance of the closed appropriation.)

2. If the adjustment required by subparagraphs 110903.A.1.a or b would exceed the unexpended balance or unobligated balance of the closed appropriation, or any administrative subdivision thereof, or if upon reducing the unobligated balance in accordance with subparagraph 110903A.1.b, the unobligated balance is exceeded at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary review.

B. To reverse the erroneous charge, take the actions addressed in subparagraph 110903.B.1, if the disbursement was erroneously charged to an appropriation that is now current or expired. If the disbursement was erroneously charged to an appropriation that is now closed, take the actions addressed in subparagraph 110903.B.2.

1. To correct an improper charge to a current or expired appropriation that previously was charged in error, adjust the records of the current or expired appropriation by taking one of the following two actions, as appropriate:

a. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remained unmatched, record a recoupment reversing the prior disbursement.

b. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established in accordance with subsection 110905, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

2. To correct an improper charge to a closed appropriation that previously was charged in error, process a memorandum recoupment reversing the erroneous charge to the closed appropriation. Adjust the records of the closed appropriation to reflect the recoupment by taking one of the following two actions as appropriate:

a. If the recoupment applies to a disbursement that either was matched erroneously to the wrong obligation or remained unmatched (prior to the closure of the appropriation), record a memorandum recoupment to offset the disbursement and increase the unliquidated obligation balance of the closed appropriation.

b. If the recoupment applies to a UMD, NULO, or in-transit disbursement for which the unobligated balance of the closed appropriation was reduced in accordance with subsection 110905, record the memorandum recoupment as an offset to the previous decrease in the unobligated balance and increase the unobligated balance of the closed appropriation.

110904. Correction of Disbursement – Closed Appropriation (After Closure)

Corrections of prior disbursements or posting errors when the correct obligation has been identified and the appropriation that should have been charged is a closed appropriation and the disbursement occurred after closure of the correct chargeable appropriation:

A. Availability of Funds at Time of Original Disbursement. Disbursements occurring after the closure of a chargeable appropriation must be funded from a current appropriation available for the same purpose as the chargeable appropriation that is closed. This current appropriation, referred to in this chapter as the "funding appropriation," must be, or have been, available for incurring new obligations at the time of the disbursement.

1. When corrections involve disbursements that occurred after the closure of the correct chargeable appropriation, care must be taken to ensure that a correction, if required, also is made to the funding appropriation that was charged, and/or should have been charged, in addition to the closed chargeable appropriation.

2. For example, to correct a disbursement that was charged erroneously to an appropriation that was expired at the time of the disbursement, but that should have been charged to an appropriation that was closed at the time of the disbursement, reduce the balance of the correct chargeable closed appropriation, as well as charge the funding appropriation that was current at the time of the disbursement, and that should have been charged.

B. Charge the Correct Funding Account. To reflect the charge properly to the correct funding appropriation--that was current at the time of the original disbursement and available for the same purpose as the chargeable closed appropriation that otherwise would have been charged except that it was closed--adjust the records of the funding appropriation by taking the following action:

1. Establish an obligation in the correct funding appropriation and record the disbursement against the obligation.

2. If the adjustment exceeds either the unexpended balance or the unobligated balance of the funding appropriation, or any administrative subdivision thereof, report a potential violation of the Antideficiency Act and initiate a preliminary review.

C. Charge the Correct Chargeable Closed Account. To reflect the charge properly to the closed appropriation that should have been charged initially except that it was closed, process a memorandum charge to the closed appropriation.

1. Adjust the records of the closed appropriation by taking one of the following two actions, as appropriate:

a. If the correct detail obligation was recorded in the closed appropriation (prior to the closure of the appropriation), match the prior charge (disbursement) to the appropriate prior obligation in the closed appropriation and reduce the unliquidated balance of the closed appropriation. (There should be no change in the unobligated balance of the closed appropriation.)

b. If the correct detail obligation was not recorded in the closed appropriation (before the closure of the appropriation), or otherwise has not been identified, make a memorandum record of the disbursement and reduce the unobligated balance of the closed appropriation. (There should be no change in the unliquidated obligation balance of the closed appropriation.)

2. If the adjustment would exceed the unexpended balance or the unobligated balance of the closed appropriation, or any administrative subdivision thereof, report a potential violation of the Antideficiency Act and initiate a preliminary review.

D. Reverse the Erroneous Charge. If the disbursement was erroneously charged to an appropriation that is now current or expired, take the actions addressed in subparagraph 110904.D.1 to reverse the erroneous charge. If the disbursement was erroneously charged to an appropriation that is now closed, take the actions addressed in subparagraph 110904.D.2 to reverse the erroneous charge.

1. To correct an improper charge to the current or expired appropriation that previously was charged in error, adjust the records of the current or expired appropriation by taking one of the following two actions:

a. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remained unmatched, record a recoupment reversing the prior disbursement.

b. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established in accordance with subsection 110905, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

2. To correct the improper charge to a closed appropriation that previously was charged in error, process a recoupment reversing the erroneous charge to the closed appropriation. Adjust the records of the closed appropriation by taking one of the following two actions, as appropriate:

a. If the recoupment applies to a disbursement that either was matched erroneously to the wrong obligation or remained unmatched in the accounting records (prior to the closure of the appropriation), record a memorandum recoupment offsetting the disbursement and increase the unliquidated obligation balance of the closed appropriation.

b. If the recoupment applies to a UMD, NULO, or in-transit disbursement for which the unobligated balance of the closed appropriation was reduced in accordance with subsection 110905, record the memorandum recoupment as an offset to the previous decrease in the unobligated balance and increase the unobligated balance of the closed appropriation.

110905. Posting Procedures – Unidentified Obligation

Posting procedures when the correct obligation has not been identified within the timeframes specified in subsections 110301, 110501, 111401.B, 111404, and 111405). As stated in section 1104, obligations are to be established/adjusted, and/or unobligated balances reduced, as appropriate, for disbursements that have not been matched to the correct obligation. These actions are to be taken consistent with the procedures described below.

A. Transactions in Closed Accounts

1. Unmatched Disbursements

a. Charge the closed appropriation in which the UMD resides by reducing the unobligated balance. Unobligated balances may be reduced either at the detail (individual) transaction or summary level.

(1) If the summary method is used, the summary memorandum unobligated balance adjustments must be fully substantiated by detail transaction listings of each UMD making up the summary amount.

(2) If posted at the detail level, record a memorandum unobligated balance adjustment in the accounting records for each UMD being cleared.

b. Also increase the unliquidated obligation balance of the closed appropriation by memorandum entry.

c. If, upon reducing the unobligated balance, the unobligated balance is exceeded at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary investigation.

2. Negative Unliquidated Obligations

a. Charge the closed appropriation in which the NULO resides by reducing the unobligated balance. Unobligated balances may be reduced either at the detail (individual) transaction or summary level.

(1) If the summary method is used, the summary memorandum unobligated balance adjustments must be fully substantiated by detail transaction listings of each NULO making up the summary amount.

(2) If posted at the detail level, record a memorandum unobligated balance adjustment in the accounting records for each NULO being cleared.

b. Also increase the unliquidated obligation balance of the closed appropriation by memorandum entry.

c. If, upon reducing the unobligated balance, the unobligated balance is exceeded at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary investigation.

3. In-Transit Disbursements

a. The unobligated balance of the cited closed appropriation must be reduced for overaged in-transit disbursements. Overaged in-transit disbursements must be charged in the same manner as unmatched disbursements as provided for in subparagraph 110905A.1.

b. If a disbursement transaction identifies a specific funds holder, that funds holder must provide the supporting accounting office with a memorandum obligation document. If the funds holder did not hold funds for the fiscal year charged, or a funds holder was not identified in the transaction record, the appropriation manager must designate a specific funds holder to take those actions required in subparagraph 110905A.1.

B. Transactions in Current and Expired Accounts

1. Unmatched Disbursements

a. Charge the current or expired appropriation in which the UMD(s) resides by establishing a formal obligation for the UMD(s) in the appropriation. The impact should be a reduction of the unobligated balance. Obligations may be posted either at the detail (individual) transaction or summary level.

(1) If the summary obligation method is used, such summary obligation amounts must be fully substantiated by detail transaction listings of each UMD making up the summary amount.

(2) If posted at the document level, record an obligation adjustment in the accounting records. Post the UMD being cleared against the adjusted obligation.

b. Also increase the unliquidated obligation balance of the current or expired appropriation.

c. If, upon recording the obligation, the obligated balance exceeds the funds available, at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary investigation.

2. Negative Unliquidated Obligations

a. Charge the current or expired appropriation in which the NULO resides by establishing a formal obligation adjustment for the NULO in the appropriation. The impact should be a reduction of the unobligated balance. Obligations may be posted either at the detail (individual) transaction or summary level.

(1) If the summary obligation method is used, such summary obligation amounts must be fully substantiated by detail transaction listings of each NULO making up the summary amount.

(2) If posted at the document level, increase the amount of the previously recorded obligation that the NULO matches by recording an obligation adjustment in the accounting records.

b. Also increase the unliquidated obligation balance of the current or expired appropriation.

c. If, upon recording the obligation adjustment, the obligated balance exceeds the funds available at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary investigation.

3. In-Transit Disbursements

a. Obligations must be established by September 30 for all in-transit disbursement transactions in appropriations scheduled to close (become closed) at the end of the current fiscal year. Obligations for unresolved in-transit disbursement transactions must be recorded in the same manner as UMDs as provided for in subparagraph 110905A.1.

b. If a disbursement transaction identifies a specific funds holder, that funds holder must provide the supporting accounting office with an obligation document. If the funds holder did not hold funds for the fiscal year charged, or if a funds holder was not identified in the transaction record, the appropriation manager must designate a specific funds holder to take those actions required in subparagraph 110905A.1 and 2.

C. Continue Research Efforts. The requirement to establish obligations for unresolved overaged UMDs, NULOs, and in-transit disbursements may not eliminate the need to complete the research and post the disbursement to the correct obligation. If continued research is explicitly required of the fund holder, then research efforts must be continued until approval to discontinue research is obtained in accordance with the procedures in section 1108.

110906. Posting Procedures – Discontinued Research Approved

Posting procedures when required research is unsuccessful and discontinuance of further research is approved. The procedures addressed in paragraphs 110906.A. to 110906.B must be applied when the actions stated in section 1107 have been completed and a request to discontinue further research has been submitted and approved in accordance with section 1108.

A. Approval Before the Expiration of the Timeframes Specified in Subsections 110301, 110501, 111401.B., 111404, and 111405. If approval to discontinue further research occurs before the expiration of the timeframes specified in subsections 110301, 110501, 111401.B., 111404, and 111405 and amounts have not been obligated in accordance with the provisions of those sections, obligations must be established in accordance with the provisions of those sections.

B. Approval After the Expiration of the Timeframes Specified in Subsections 110301, 110501, 111401.B., 111404 and 111405. If approval to discontinue further research occurs after the expiration of the timeframes specified in subsections 110301, 110501, 111401.B, 111404, and 111405; and amounts have been obligated in accordance with the provisions of that section, no further obligation action is required.

1110 CORRECTION/POSTING DISBURSEMENTS – WORKING CAPITAL FUNDS

111001. General

Corrections and postings of disbursements in the Working Capital Funds may require adjustments to both disbursements and expenses. This section cites general procedures for recording corrections of prior disbursements erroneously charged to the wrong obligation or otherwise erroneously posted. The procedures are stated in general terms in recognition of the numerous accounting systems, each of which has specific transaction identifiers and processing requirements.

111002. Posting Procedures – Identified Obligation

Corrections of prior disbursements or posting errors when the correct obligation has been identified:

A. To record a disbursement properly against an activity that should have been charged, adjust the records of the applicable activity by making one of the budgetary account adjustments as well as one of the propriety account adjustments. These adjustments are addressed in paragraphs 111002.A.1 and 2:

1. Budgetary Account Adjustments

a. If a disbursement exceeds a prior obligation (i.e., if it created a NULO), an adjustment to the prior obligation is required; therefore, increase the obligation previously recorded.

b. If a disbursement was made for which an obligation was not recorded previously, or otherwise has not been identified, an obligation is required; therefore, record an obligation and match the disbursement to the obligation.

2. Proprietary Account Adjustments

a. If it has been demonstrated that the correct proprietary account was charged previously in the correct amount, no further proprietary account adjustment is required.

b. If the disbursement occurred in the current fiscal year, and the proprietary account adjustment(s) to charge the correct proprietary account properly in the correct amount is known, then make the required proprietary account adjustment(s).

c. If the disbursement occurred in a prior fiscal year, and a real property or depreciable property proprietary asset account should be adjusted to charge the correct proprietary account properly in the correct amount, then make the required proprietary account adjustment(s).

d. If none of the provisions of subparagraphs 111002.A.2.a through c apply, charge the "extraordinary loss" proprietary account in an amount that is equal to the amount of the obligation or obligation adjustment provided for in subparagraphs 111002.A.1.a or b, as applicable. This "extraordinary loss" should be recorded in the fiscal year that is current at the time that the obligation or obligation adjustment addressed in subparagraphs 111002.A.1.a or b is made, irrespective of when the disbursement occurred.

B. To correct the improper charge that was charged previously in error, adjust the records of the applicable activity by making one of the budgetary account adjustments addressed in subparagraph 111002.B.1, as well as one of the proprietary account adjustments addressed in subparagraph 111002.B.2:

1. Budget Account Adjustments

a. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remained unmatched, record a recoupment reversing the prior disbursement.

b. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established in accordance with subsection 111003, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

2. Proprietary Account Adjustments

a. If it has been demonstrated that the correct proprietary account was charged previously in the correct amount, no further proprietary account adjustment(s) is required.

b. If the disbursement occurred in the current fiscal year, and the proprietary account adjustment(s) to relieve the incorrect proprietary account properly for the amount charged is known, then make the required proprietary account adjustment(s).

c. If the disbursement occurred in a prior fiscal year, and a real property or depreciable property proprietary asset account was charged (but should not have been charged and now should be adjusted to relieve the incorrect charge), then make the required proprietary account adjustment(s).

d. If none of the provisions of subparagraphs 111002.B.2.a through c apply, record an "extraordinary gain" in the proprietary account in an amount that is equal to the amount of the obligation/obligation adjustment provided for in subparagraphs 111002.B.1.a or b, as applicable. This "extraordinary gain" should be recorded in the fiscal year that is current at the time that the obligation/obligation adjustment is made as addressed in subparagraphs 111002.B.1.a or b, irrespective of when the disbursement occurred.

111003. Posting Procedures – Unidentified Obligation

Posting procedures when the correct obligation has not been identified within the timeframes specified in subsections 110301, 110501, 111401.B, 111404, and 111405. Obligations or adjustments to obligations, as well as expenses, are to be established for disbursements that have not been matched to the correct obligation. These obligations or obligation adjustments and expenses are to be processed and recorded consistent with the procedures provided for in subparagraphs 111003.A.1 to 3.

A. Budget Account Adjustment

1. Unmatched Disbursements

a. Unmatched disbursements must be obligated and expensed against the Working Capital Fund activity where the UMD resides. (If a UMD has not been identified to a specific activity, it must be so assigned.)

b. Charge the activity in which the UMD resides by establishing a formal obligation. Obligations may be posted either at the detail (individual) transaction or summary level.

(1) If the summary obligation method is used, the summary obligation amounts must be fully substantiated by detail transaction listings of each UMD making up the summary amount.

(2) If posted at the document level, record an obligation adjustment in the accounting records. Post the UMD being cleared against the adjusted obligation.

c. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary investigation.

d. Record an "extraordinary loss" in the proprietary accounts in an amount equal to the amount of the UMD. This "extraordinary loss" should be recorded in the fiscal year that is current at the time that the obligation is made as addressed in subparagraph 111003.A.1, irrespective of when the disbursement occurred.

2. Negative Unliquidated Obligations

a. NULOs must be obligated and expensed against the Working Capital Fund activity where the NULOs reside.

b. Charge the activity in which the NULO resides by establishing a formal obligation adjustment. Obligations may be posted either at the detail (individual) transaction or summary level.

(1) If the summary obligation method is used, the summary obligation amounts must be fully substantiated by detail transaction listings of each NULO making up the summary amount.

(2) If posted at the document level, increase the amount of the previously recorded obligation that the NULO matches by recording an obligation adjustment in the accounting records.

c. If, upon recording the obligation adjustment, the obligated balance exceeds the budgetary resources available at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary investigation.

d. Record an "extraordinary loss" in the proprietary accounts in an amount equal to the amount of the NULO. This "extraordinary loss" should be recorded in the fiscal year that is current at the time that the adjustment is made as addressed in subparagraph 111003.A.2.b, irrespective of when the disbursement occurred.

3. In-Transit Disbursements

a. In-transit disbursements must be obligated and expensed against the Working Capital Fund activity in which the transaction resides. If an activity is not

identified in the transaction record, the DoD Component involved must designate a specific activity.

b. In-transit disbursements must be charged in the same manner as UMDs. Charge the activity in which the in-transit disbursements resides by establishing a formal obligation.

c. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary investigation.

d. Record an "extraordinary loss" in the proprietary accounts in an amount equal to the amount of the in-transit disbursement. This "extraordinary loss" should be recorded in the fiscal year that is current at the time that the obligation is made as addressed in subparagraph 111003A.3.b , irrespective of when the disbursement occurred.

B. Proprietary Account Adjustments. Record an "extraordinary gain" in the proprietary account in an amount that is equal to the amount of the obligation or obligation adjustment provided for in subparagraphs 111003.A.1. to 3 , as applicable. This "extraordinary gain" should be recorded in the fiscal year that is current at the time that the obligation or obligation adjustment is made as addressed in subparagraphs 111003.A.1 to 3, irrespective of when the disbursement occurred.

C. Continue Research Efforts. The requirement to obligate and expense UMD, NULOs, and in-transit disbursements that remain unmatched at the end of the timeframes specified in subsections 110301, 110501, 111401.B, 111404 and 111405 may not eliminate the need to complete the research and post the disbursement to the correct obligation. If continued research is explicitly required of the fund holder, then research efforts must be continued until approval to discontinue research is obtained in accordance with the procedures in section 1108.

111004. Posting Procedures – Discontinued Research Approved

Posting procedures when required research is unsuccessful and discontinuance of further research is approved. The procedures addressed in paragraphs 111004.A and B must be applied when the actions in section 1107 have been completed and a request to discontinue further research has been submitted and approved in accordance with section 1108.

A. Approval Before the Expiration of the Timeframes Specified in Subsections 110301, 110501, 111401.B., 111404, and 111405. If approval to discontinue further research occurs before the expiration of the timeframes specified in subsections 110301, 110501, 111401.B., 111404, and 111405 as discussed in subsection 111003 and amounts have not been obligated and expensed in accordance with the provisions of that section, obligations and expenses must be established in accordance with the provisions of that section.

B. Approval After the Expiration of the Timeframes Specified in Subsections 110301, 110501, 111401.B., 111404, and 111405. If approval to discontinue further research occurs after the expiration of the timeframes specified in subsections 110301, 110501, 111401.B., 111404, and 111405 as discussed in subsection 111003 and amounts have been obligated and expensed in accordance with the provisions of that section, no further obligation or expense action is required.

1111 CORRECTION/POSTING DISBURSEMENTS – FOREIGN MILITARY SALES (FMS) TRUST FUND

111101. General

Corrections and postings of disbursements in the FMS Trust Fund may require adjustments both to disbursements and charges to FMS cases or FMS surcharge accounts. This section cites general procedures for recording corrections of prior disbursements erroneously charged to the wrong obligation or otherwise posted erroneously. The procedures are stated in general terms in recognition of the numerous accounting systems, each of which has specific transaction identifiers and processing requirements.

111102. Special Notification Requirements

A. If, at the end of the timeframes specified in subsections 110301 and 110501 after discovery of the UMD or NULO condition, the DFAS or other accounting office has not been able to resolve the transactions, the transactions must be forwarded to the fund holder for resolution. For FMS, both the Defense Security Cooperation Agency (DSCA) and the fund holder are to be involved in the resolution. At this time, the fund holder should be notified that he or she must fund the transaction if the transaction is not properly matched within the timeframes specified in subsections 110301 and 110501. For FMS, a draft case modification, if required, is prepared for DSCA countersignature.

B. Due to FMS case management requirements, disbursements and disbursement adjustments involving FMS funds must be coordinated with the DFAS. The DFAS will establish notification and approval procedures.

111103. Posting Procedures – Identified Obligation

Corrections of prior disbursements or posting errors when the correct obligation has been identified:

A. To record a disbursement properly that previously was charged erroneously, adjust the records of the FMS case or FMS surcharge account that should have been charged by taking one of the following two actions:

1. If a disbursement exceeds a prior obligation (that is, if it created a NULO), an adjustment to the prior obligation is required; therefore, increase the obligation previously recorded and match the disbursement to the adjusted obligation.

2. If a disbursement was made for which an obligation was not recorded previously, or otherwise had not been identified, an obligation is required; therefore, record an obligation and match the disbursement to the obligation.

3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary review.

B. To correct an improper charge that was previously erroneously charged, adjust the records of the applicable FMS case or FMS surcharge account charged in error by taking one of the following two actions:

1. If a recoupment applies to a disbursement that was matched erroneously to an obligation, record a recoupment reversing the prior disbursement.

2. If the recoupment applies to a previously UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established in accordance with subsection 111104, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

111104. Posting Procedures – Unidentified Obligation

Posting procedures when the correct obligation has not been identified within the timeframes specified in subsections 110301, 110501, 111401.B, 111404, and 111405. Obligations or obligation adjustments are to be established for disbursements that have not been matched to the correct obligation and processed and recorded consistent with the procedures provided for in paragraphs 111104.A to D.

A. Unmatched Disbursements

1. Unmatched disbursements must be obligated against the FMS case or FMS surcharge account where the UMD resides. (If a UMD has not been identified to a specific FMS case or FMS surcharge account, it must be assigned to the FMS administrative surcharge account.)

2. Charge the FMS case or FMS surcharge account in which the unmatched disbursement resides by establishing a formal obligation. Obligations may be posted either at the detail (individual) transaction or summary level.

a. If the summary obligation method is used, the summary obligation amounts must be fully substantiated by detail transaction listings of each UMD making up the summary amount.

b. If posted at the document level, record an obligation adjustment in the accounting records. Post the UMD being cleared against the adjusted obligation.

3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary investigation.

B. Negative Unliquidated Obligations

1. NULOs must be obligated against the FMS case or FMS surcharge account where the NULOs reside.

2. Charge the FMS case or FMS surcharge account in which the NULO resides by establishing a formal obligation adjustment. Obligations may be posted either at the detail (individual) transaction or summary level.

a. If the summary obligation method is used, the summary obligation amounts must be fully substantiated by detail transaction listings of each NULO making up the summary amount.

b. If posted at the document level, increase the amount of the previously recorded obligation that the NULO matches by recording an obligation adjustment in the accounting records.

3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available, at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary review.

C. In-Transit Disbursements

1. In-transit disbursements must be obligated against the FMS case or FMS surcharge account in which the transaction resides. If an FMS case or FMS surcharge account is not identified in the transaction record, it must be assigned to the FMS administrative surcharge account.

2. In-transit disbursements must be charged in the same manner as UMDs. Charge the FMS case or FMS surcharge account in which the in-transit disbursements resides by establishing a formal obligation.

3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available, at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary investigation.

D. Continue Research Efforts. The requirement to obligate and expense UMD, NULOs, and disbursements in-transit that remain unmatched at the end of the timeframes specified in subsections 110301, 110501, 111401.B., 111404, and 111405 may not eliminate the need to complete the research and post the disbursement to the correct obligation. If continued research is explicitly required of the fund holder, then research efforts must be continued until approval to discontinue research is obtained in accordance with the procedures in section 1108.

111105. Posting Procedures – Discontinued Research Approved

Posting procedures when required research is unsuccessful and discontinuance of further research is approved. The procedures addressed in paragraphs 111105.A and B must be applied when the actions in section 1107 have been completed and a request to discontinue further research has been submitted and approved in accordance with section 1108.

A. Approval Before the Expiration of the Timeframes Specified in Subsections 110301, 110501, 111401.B., 111404, and 111405. If approval to discontinue further research occurs before the expiration of the timeframes discussed in subsection 111104 and amounts have not been obligated and expensed in accordance with the provisions of that section, obligations must be established in accordance with these provisions.

B. Approval After the Expiration of the Timeframes Specified in Subsections 111301, 111401.B., 111404 and 111405. If approval to discontinue further research occurs after the expiration of the timeframes discussed in section 111104 and amounts have been obligated and expensed in accordance with the provisions of that section, no further obligation or expense action is required.

1112 CORRECTIONS OF DISBURSEMENTS – MULTIPLE FUND TYPES

The procedures used to correct disbursement transactions erroneously charged to one fund type (e.g., appropriated fund) that should have been charged to another fund type (e.g., working capital or trust fund), require the application of procedures from each fund type involved. For example, for a disbursement that was charged erroneously to an appropriated fund that should have been charged to a working capital fund, the recoupment to the appropriated fund should be processed in accordance with the applicable recoupment paragraph in section 1109, while the charge to the working capital funds should be processed in accordance with the applicable paragraph in section 1110.

1113 CORRECTIONS REQUIRING NEW DISBURSEMENTS OR COLLECTIONS

111301. General

When the correction requires a new disbursement or collection, process the corrective action in accordance with sections, 1109, 1110, 1111, or 1112, as applicable. Additionally, process the new disbursement or collection in accordance with the provisions of subsection 111302, if the disbursement or collection does not involve a closed appropriation. Process the transaction in accordance subsection 111303, if the disbursement or collection involves a closed appropriation.

111302. Current/Expired Appropriation or Working Capital/Trust Fund

Disbursements or collections that are chargeable to a current or expired appropriation or a working capital or trust fund:

A. Disbursement. When a new cash disbursement involves a current or expired appropriation or a working capital or trust fund, and a closed appropriation is not involved, process and record the disbursement in accordance with existing policies and procedures for new disbursements for such accounts.

B. Collection. When a new cash collection involves a current or expired appropriation or a working capital or trust fund, and a closed account is not involved, process and record the collection in accordance with existing policies and procedures for collections for such accounts.

111303. Closed Appropriation

Disbursements or collections that are properly chargeable to a closed appropriation (except that the appropriation is closed)

A. Disbursement. When a new disbursement involves an amount that otherwise is properly chargeable to a closed appropriation except that the appropriation is closed, comply with the provisions of the closing accounts legislation (summarized in paragraphs 110402.E.-G.) including:

1. Record and report the charge as a new obligation and a disbursement in a currently available appropriation that is available for the same purpose as the closed appropriation. If the obligation causes the cumulative one percent limit (identified in paragraph 110402.F.) to be exceeded, no disbursement can be made. The office funding the proposed payment (contract) must contact the cognizant Military Department Assistant Secretary for Financial Management and Comptroller or the Defense Agency Comptroller for referral to the OUSD(C) for appropriate disposition.

2. Adjust the records of the closed appropriation to reflect the new disbursement by taking one of the following two actions, as appropriate:

a. Reduce the unliquidated balance of the closed appropriation if the correct detail obligation was recorded in the closed appropriation prior to the closure of the appropriation. (There should be no change in the unobligated balance of the closed appropriation.) Match the current charge (disbursement) to the appropriate prior obligation in the closed appropriation.

b. Make a memorandum record of the disbursement and reduce the unobligated balance of the closed appropriation if the correct detail obligation was not recorded in the closed appropriation prior to the closure of the appropriation. (There should be no change in the unliquidated obligation balance of the closed appropriation.)

3. The disbursement must not be issued if the adjustment required by subparagraphs 111303.A.2.a. or b, would exceed the unexpended balance of the closed appropriation, or if reducing the unobligated balance in accordance with the provisions of subparagraph 111303.A.2.b , would result in a negative unobligated balance at the appropriation level.

4. The disbursement may be made, but a potential violation of the Antideficiency Act must be reported and a preliminary review initiated if the adjustments required by subparagraphs 111303.A.2.a or b, (a) would not exceed the unexpended balance or the unobligated balance at the appropriation level, but (b) would exceed the unexpended balance or the unobligated balance of an administrative subdivision, of the appropriation, that has Antideficiency Act violation responsibility.

B. Collection. When a new cash refund or other collection involves an amount that otherwise would be refunded or collected to a closed appropriation except that the appropriation is closed, comply with the provisions of the closing accounts legislation including:

1. Deposit the collection to the miscellaneous receipt account with the Treasury.

2. Increase the unobligated or unliquidated balance of the closed appropriation, as appropriate, to reflect each refund or collection deposited into the Treasury account. Adjust the records of the closed appropriation to reflect the new refund or collection by taking one of the following two actions, as appropriate:

a. If the collection applies to an accounts receivable that had been established prior to the closure of the appropriation, record a memorandum collection offsetting the receivable and increase the unobligated balance of the closed appropriation.

b. If the collection applies to a disbursement that was not established as an account receivable prior to the closure of the appropriation, record a memorandum collection as an offset to the previous disbursement and increase the unliquidated obligation balance of the appropriation.

1114 PROCESSING IN-TRANSIT DISBURSEMENTS

111401. Policy

A. It is DoD policy that all disbursements must be recorded, and matched, to their corresponding obligation records as promptly as current systems and business practices reasonably permit. Nevertheless, at any given time, a percentage of the Department's disbursements may be in-transit from the disbursing office or entitlement activity to the applicable accounting office. Disbursements are considered in-transit disbursements when they have been reported by the disbursing office, through a paying center, to the Department of the Treasury and charged against the Department's fund balances, but: (1) have not yet been received by the applicable accounting office, (2) have been received by the applicable accounting office but not yet processed against (attempted to be entered into) the accounting office's

database, or (3) it has been determined that there is insufficient information to process. The policy guidance that follows specifically addresses in-transit disbursement transactions. This policy encompasses all in-transit disbursements, including interfund transactions and disbursements originating outside the DoD.

B. The following timeframes are applicable for processing and obligating in-transit disbursement transactions made:

1. In-transit disbursements must be processed and resolved in accordance with subsections 111404 to 111406.

2. Notwithstanding the applicability of the requirements in subparagraph 111401.B.1, obligations must be established and recorded for all unresolved in-transit disbursement transactions no later than September 30 of the year that the cited appropriation is scheduled to be closed, regardless of the age of the transaction.

3. In-transit disbursement transactions that cite closed accounts must be processed in accordance with subsections 111404 to 111406. However, obligations for all such in-transit disbursements must be established and recorded no later than September 30 each year.

C. In-transit disbursements must be properly certified. A thorough certification process helps to reduce disbursements with invalid accounting lines and, thus, should result in fewer unresolved in-transit disbursements. Additionally, thorough certification procedures should help to prevent erroneous payments. Responsibilities for obligating and reporting erroneous payments are delineated in Volume 5, Chapter 6, "Irregularities in Disbursing Officer Accounts."

D. Reject procedures described in subsections 111404 and 111405 must apply to all transactions except the following:

1. Transactions originating outside the DoD, and;

2. Transactions amounting to $2,500 or less. (However, all transactions related to travel advances and settlements, pay entitlements, and FMS must be rejected in accordance with subsections 111404 and 111405.)

3. Suspected fraudulent transactions immediately must be reported to the Defense Criminal Investigative Service.

111402. General

A. In-transit disbursements generally occur when a disbursing office or entitlement activity and the applicable accounting office are not geographically collocated and do not share the same accounting record database. Because the disbursing office or entitlement activity and the accounting office do not share the same database, the disbursing office or

entitlement activity transmits disbursement transactions and supporting information to the appropriate accounting office. Supporting information may be electronic or hardcopy.

B. An unresolved in-transit disbursement occurs when a disbursement is not matched to the correct obligation because either: (1) it cannot be, or has not been, routed to the correct accounting office, or (2) the accounting office does not have sufficient information to allow it to attempt to process the in-transit disbursement.

C. Once the applicable accounting office has received, and has sufficient information to allow it to attempt to match the disbursement with an existing obligation in its database, the disbursement is no longer considered to be an in-transit disbursement. Rather, the disbursement is to be treated as a matched disbursement, a UMD (when an obligation record is not found), or a NULO (when an obligation record exists but the disbursement amount exceeds the amount of the recorded obligation). When UMDs and NULOs result, manual intervention must be expeditiously taken to research, obligate and record the disbursement in accordance with sections 1104 to 1107.

D. An unresolved in-transit disbursement falls within one of two basic categories: (1) within-center disbursement, or (2) cross-disbursement.

1. Within-center Disbursement. A "within-center" in-transit disbursement is created when a disbursing office makes a payment for an accounting office that reports to the same DFAS Center as the disbursing office, but the accounting office and the disbursing office do not share the same database.

2. Cross-Disbursement. A "cross-disbursement" is created when a disbursing office makes a payment for an accounting office that reports to a DFAS center other than the center to which the disbursing office reports. (An example of a cross-disbursement is when a DFAS-Cleveland disbursing office makes a disbursement for a DFAS-Indianapolis accounting office.) A cross-disbursement also is created when a non-DoD federal agency (such as the Department of State) makes a payment charged to a DoD account.

E. Depending on the type of in-transit disbursement (within-center disbursement or cross-disbursement), one or more of the following may be involved in processing an in-transit disbursement transaction: an entitlement activity, a disbursing office, a paying center, an accounting center and an accounting office. The primary responsibilities of these activities for in-transit disbursements are:

1. Entitlement Activity. An entitlement activity is responsible for certifying the validity of payments on behalf of one or more DoD Components; and, consequently, is responsible for obtaining, maintaining, and providing sufficient supporting documentation for such payments. In the case of centralized disbursing, supporting documentation remains with the entitlement activity rather than the disbursing office.

2. Disbursing Office. A disbursing officer (DO) is responsible for disbursing and collecting funds on behalf of one or more DoD Components as well as obtaining, maintaining, and providing sufficient supporting documentation for such transactions. In the case of centralized disbursing, documentation functions may take place at an entitlement activity rather than at a disbursing office. Disbursing offices also are responsible for reporting disbursements and collections to a paying center (DFAS Centers at Cleveland, Indianapolis, or Columbus) using a unique four-digit disbursing station symbol number (DSSN) assigned by the Department of the Treasury.

3. Paying Center. A paying center is responsible for consolidating disbursements and collections transmitted by DOs that report to the center, and for reporting the DOs' returns by assigned DSSNs to the Department of the Treasury. For within-center disbursements, the paying center also is the accounting center and, consequently, maintains the status of funds for the appropriations cited on the disbursement transactions.

4. Accounting Center. An accounting center is responsible for receiving and processing status of funds reports from accounting offices supporting DoD Component fund holders. For cross-disbursements, an accounting center may distribute, to accounting offices, in-transit disbursements received from paying centers, and monitor the status of disbursement recordation. For within-center disbursements, the accounting center also acts as a paying center.

5. Accounting Office. An accounting office is responsible for maintaining accounting records of assigned fund holders. All accounting offices are assigned six-digit codes (sometimes referred to as fiscal station numbers, authorized accounting activities, or accounting and disbursing station numbers). All disbursement transactions eventually must be distributed to an accounting office, recorded against a valid obligation, and reported on status of funds reports. All accounting offices within the Department report through the DFAS Centers at Cleveland, Columbus or Indianapolis.

F. The DFAS and other non-DFAS accounting and disbursing activities are responsible for monitoring in-transit disbursement activity and ensuring compliance with established in-transit policies. Specifically, the DFAS and other non-DFAS accounting and disbursing activities must monitor and provide oversight to ensure that in-transit disbursements are processed and obligated in a timely manner consistent with approved policies.

111403. Required Documentation

A. The applicable disbursing office or entitlement activity must use either electronic or hard copy-based processes to provide detailed supporting documentation (supplemental information) to the applicable paying center, accounting center, or accounting office. If adequate detailed accounting data is transmitted electronically, the disbursing office or entitlement activity need not also forward paper copies of applicable supporting documentation unless specifically requested for a particular transaction.

B. The applicable disbursing office or entitlement activity must ensure that, as a minimum, each in-transit disbursement transaction is supported by documentation that identifies the disbursing office and/or entitlement activity, cycle number, voucher number, appropriation/fiscal year, limitation or subhead, amount, accounting office code, obligation document number, and other information that identifies the obligation, as applicable.

1. An in-transit disbursement immediately must be rejected to the disbursing office (or applicable center) if the documentation/information in support of the in-transit disbursement:

a. Identifies a departmental code or basic symbol of a Component not serviced by the applicable center.

b. Identifies funds (e.g., an allotment serial number) not serviced by the accounting office; or,

c. Reveals that an in-transit disbursement is fraudulent. (Additionally, the Defense Criminal Investigative Service must be notified immediately.)

2. Requests for additional documentation/information must be made when one or more of the following conditions exist:

a. Detailed data (electronic or otherwise) is illegible or garbled, out-of-balance, or lacks sufficient detail to process;

b. Hard copy or electronically transmitted detailed data contains an invalid accounting citation;

c. The transaction amount on the automated cross-disbursement register does not agree with the amount on the voucher and/or supporting documentation; or

d. The amount of summary charges reported to the Department of the Treasury does not equal the detail reported by the paying offices.

3. Generally, request for additional supporting documentation must be made to enable the proper matching of obligations and disbursements and must be limited to the requirements delineated in paragraph 111403.B.

4. Requests for supporting documentation/information must be dated and made in writing (or other documented form of communication).

5. As much as feasible, disbursing offices or entitlement activities and accounting offices should communicate with, and transmit supporting documentation directly to, each other so as to minimize in-transit disbursement resolution and processing time.

111404. Processing and Obligating Within-Center

Generally, a within-center in-transit disbursement transaction involves: (1) a disbursing office or entitlement activity, (2) an accounting center, and (3) an accounting office. Although accounting centers monitor disbursement activity transmitted by disbursing offices and recorded by applicable accounting offices, disbursing offices or entitlement activities and accounting offices may communicate with, and transmit data and supporting documentation (or supplemental information for electronic transmittals) directly to, each other so as to minimize in-transit disbursement processing time. When other research means have been exhausted and additional documentation is requested by an accounting center or accounting office, the disbursing office or entitlement activity should transmit the requested documentation directly to the requesting activity so as to shorten resolution and processing time.

A. Disbursing Office or Entitlement Activity. In the performance of its duties as it pertains to processing within-center in-transit disbursements, a disbursing office or entitlement activity may: (1) suspend transactions submitted for payment, (2) transmit disbursements to its accounting center (also acting as a paying center), (3) process requests for supporting documentation received from an accounting center (or accounting office), or (4) research and resolve rejected disbursements.

1. Suspend Disbursements. A disbursing office or entitlement activity must suspend processing a transaction submitted for payment pending receipt of sufficient supporting documentation, to include evidence of a preexisting obligation against the designated funds, and an authorized acceptance of the material or services received. The disbursing office or entitlement activity must follow established procedures for prevalidation of the proposed disbursement in accordance with established requirements to verify that an existing obligation is recorded for the designated funds.

2. Transmit Disbursements. No less than on a weekly basis, and on a daily basis where feasible, a disbursing office or entitlement activity must process and transmit disbursement transactions, to include sufficient supporting documentation (hardcopy or electronic), to its accounting center (or accounting office). When the disbursing office or entitlement activity transmits the disbursement to its accounting center (or accounting office), the disbursement is in an “in-transit” status.

3. Process Requests. Within 30 days of a request from an accounting center or accounting office for additional supporting documentation, a disbursing office or entitlement activity must provide the requested documentation to the requesting activity. Generally, requests for additional supporting documentation are intended to enable the proper matching of obligations and disbursements and should be limited to the requirements delineated in paragraph 111403.B. As much as feasible, disbursing offices or entitlement activities and accounting offices should communicate directly with, and transmit data and supporting documentation directly to, each other so as to minimize in-transit processing time.

4. Research and Resolve Rejects. A reject occurs when a transaction is returned to a disbursing office or entitlement activity for additional information.

B. Accounting Center. In the performance of its duties as it pertains to processing within-center in-transit disbursements, an accounting center may: (1) transmit disbursements to an accounting office, (2) request documentation from a disbursing office or entitlement activity, or (3) process rejects.

1. Transmit Disbursements. If the process for within-center disbursement involves the accounting center in distributing disbursement transactions, an accounting center must, within 30 days of disbursement, transmit the disbursement transaction to the applicable accounting office.

2. Request Documentation. Within 30 days of the date of disbursement of an in-transit transaction by a disbursing office or entitlement activity, an accounting center must ensure that supporting documentation (electronic or otherwise) has been transmitted by the disbursing office or entitlement activity to either the accounting center or directly to the accounting office, whichever is applicable. If the accounting center determines that supporting documentation has not been transmitted, the accounting center immediately must request that the disbursing office or entitlement activity submit the supporting documentation within 30 days.

3. Reject Transactions. If sufficient supporting documentation is not obtained within 30 days of request or a total of 60 days after disbursement, or the accounting office submits a valid reject, the accounting center immediately must reject the disbursement to the DO, as applicable.

C. Accounting Office. In the performance of its duties as it pertains to processing and obligating within-center in-transit disbursements, an accounting office may: (1) process disbursement transactions, (2) request documentation from a disbursing office or entitlement activity, or (3) reject disbursement transactions.

1. Process Transactions. Within 30 days of receipt (electronic or otherwise) of an in-transit disbursement, the applicable accounting office must review the transaction to ensure that there is sufficient information to determine its accountability for the transaction and take action in accordance with subparagraphs 111404.C.1.a to c.

a. If an accounting office cannot establish its accountability for the disbursement, the disbursement must be rejected back to the accounting center in accordance with subparagraph 111404.C.3.

b. If an accounting office determines that there is sufficient information to properly record a disbursement, the accounting office must match the disbursement with its corresponding obligation and must record the disbursement. However, the following conditions may occur:

(1) If the applicable obligation is not in the accounting database, the disbursement must be recorded as a UMD. The UMD must be resolved in accordance with sections 1104 to 1107.

(2) If the applicable obligation is in the accounting database, but the amount of the disbursement exceeds the amount of the recorded obligation, the disbursement must be recorded as a NULO. The NULO must be resolved in accordance with sections 1104 to 1107.

c. If the accounting office determines that there is not sufficient supporting documentation to allow the disbursement to be matched to an obligation, the accounting office must request supporting documentation in accordance with subparagraph 111404.C.2.

2. Request Documentation. Within 30 days of receipt (electronic or otherwise) of an in-transit disbursement transaction from the accounting center (or the DO or entitlement activity), an accounting office must review the transaction to ensure that there is sufficient information for the applicable accounting office to determine its accountability for the disbursement transaction. If the accounting office determines that it is accountable for the transaction, but that there is not sufficient information to properly record that transaction, the accounting office must immediately request that the disbursing office or entitlement activity research the disbursement transaction and provide the requested documentation to the accounting office within 30 days of the request.

a. Immediately, upon receipt (electronic or otherwise) of supporting documentation from a disbursing office or entitlement activity, the applicable accounting office must attempt to match the disbursement with its corresponding obligation and record the disbursement.

b. If supporting documentation is not received within 30 days of request, the accounting office must reject the in-transit disbursement in accordance with subparagraph 111404.C.3. However, transactions $2,500 or less (as required by paragraph 111401.D.) must not be rejected, but instead must be recorded as a UMD and must be researched in accordance with subsection 110501.

3. Reject Disbursement Transactions. Upon making a determination that accountability for a disbursement transaction belongs to another accounting office, or that supporting documentation will not be received, an accounting office must immediately reject the disbursement transaction to its accounting center or the responsible DO, whichever is applicable.

111405. Processing Cross-Disbursed In-transit Disbursements

Generally, a cross-disbursed in-transit disbursement transaction involves: (1) a disbursing office or entitlement activity, (2) a paying center, (3) an accounting center, and (4) an accounting office. Although paying and accounting centers monitor disbursement activity transmitted by entitlement activities and recorded by applicable accounting offices, disbursing offices or entitlement activities and accounting offices should communicate with, and transmit supporting documentation (or supplemental information for electronic transmittals) directly to, each other so as to minimize in-transit disbursement processing time.

A. Disbursing Office or Entitlement Activity. In the performance of its duties as it pertains to processing cross-disbursed in-transit disbursements, a disbursing office or entitlement activity may: (1) suspend disbursements submitted for payment, (2) transmit disbursements to its paying center, or (3) process requests for supporting documentation.

1. Suspend Disbursements. A disbursing office or entitlement activity may suspend processing a transaction submitted for payment pending receipt of sufficient supporting documentation, to include evidence of a preexisting obligation against the designated funds, and an authorized acceptance of the material or services received. The disbursing office or entitlement activity must follow established procedures for prevalidation of the proposed disbursement in accordance with established requirements to verify that an existing obligation is recorded for the designated funds.

2. Transmit Disbursements. No less than on a weekly basis, and on a daily basis where feasible, a disbursing office or entitlement activity must process and transmit disbursement transactions, to include sufficient supporting documentation (hardcopy or electronic), to its paying center. When the disbursing office or entitlement activity transmits the disbursement to its paying center, the disbursement transaction is in an "in-transit" status.

3. Process Requests. Within 30 days of a request from an accounting center or accounting office for additional supporting documentation, a disbursing office or entitlement activity must provide the requested documentation to the requesting activity. Generally, requests for additional supporting documentation are intended to enable the proper matching of obligations and disbursements and should be limited to the requirements delineated in subparagraph 111403.B. As much as feasible, disbursing offices or entitlement activities and accounting offices should communicate directly with, and transmit data and supporting documentation directly to, each other so as to minimize in-transit processing time.

B. Paying Center. In the performance of its duties as it pertains to processing cross-disbursed in-transit disbursements, a paying center may transmit disbursements to an accounting center or request documentation from a disbursing office or entitlement activity.

1. Transmit Disbursements. Within 30 days of disbursement, and daily where feasible, a paying center must transmit disbursement transactions, with sufficient supporting documentation (electronic or otherwise), to the applicable accounting center.

2. Request Documentation. Within 30 days of disbursement, a paying center must ensure that supporting documentation has been transmitted by the disbursing office or entitlement activity to either the paying center or directly to the accounting office, whichever, is applicable. If the paying center determines that there is not sufficient documentation, the paying center immediately must request that the disbursing office or entitlement activity submit the supporting documentation within 30 days.

C. Accounting Center. In the performance of its duties as it pertains to processing cross-disbursed in-transit disbursements, an accounting center may transmit disbursements to an accounting office or request documentation from a disbursing office or entitlement activity.

1. Transmit Disbursements. Within 30 days of receipt (electronic or otherwise) of an in-transit disbursement transaction from a paying center, an accounting center must review the transaction to ensure that there is sufficient information to identify the accounting office. If the accounting center determines that there is sufficient information, the accounting center immediately must transmit the disbursement transaction to the applicable accounting office.

2. Request Documentation. Within 30 days of receipt (electronic or otherwise) of an in-transit disbursement transaction from a paying center, an accounting center must review the transaction to ensure that there is sufficient information to identify the accounting office. If the accounting center determines that there is not sufficient information, the accounting center must immediately request that the applicable disbursing office or entitlement activity research the disbursement transaction and provide the requested documentation to the accounting center or accounting office within 30 days of the request.

D. Accounting Office. In the performance of its duties as it pertains to processing cross-disbursed in-transit disbursements, an accounting office may: (1) process disbursement transactions, (2) request documentation from an accounting center or disbursing office or entitlement activity, or (3) reject disbursement transactions.

1. Process Transactions. Within 30 days of receipt (electronic or otherwise) of an in-transit disbursement transaction, an accounting office must review the transaction to ensure that there is sufficient information for the applicable accounting office to determine its accountability for the disbursement transaction and take action in accordance with subparagraphs 111405.D.1.a to c.

a. If an accounting office cannot establish its accountability for the disbursement, the in-transit disbursement must immediately be rejected back to the accounting center in accordance with subparagraph 111405.D.3.

b. If an accounting office determines that there is sufficient information to properly record a disbursement, the accounting office must match the disbursement with its corresponding obligation and must record the disbursement. However, the following conditions may occur:

(1) If the applicable obligation is not in the accounting database, the disbursement must be recorded as a UMD. The UMD must be resolved in accordance with sections 1104 to 1107.

(2) If the applicable obligation is in the accounting database, but the amount of the disbursement exceeds the amount of the recorded obligation, the disbursement must be recorded as a NULO. The NULO must be resolved in accordance with sections 1104 to 1107.

c. If the accounting office determines that there is not sufficient supporting documentation to allow the disbursement to be matched to an obligation, the accounting office must request supporting documentation in accordance with subparagraph 111405.D.2.

2. Request Documentation. Within 30 days of receipt (electronic or otherwise) of an in-transit disbursement transaction, the accounting office must review the transaction to ensure that there is sufficient information for it to determine its accountability for the disbursement transaction. If the accounting office determines that it is accountable for the transaction, but that there is not sufficient information to properly record the transaction, it must immediately request that the disbursing office or entitlement activity research the disbursement transaction, and provide the required documentation to the accounting office within 30 days of the request.

a. Immediately, upon receipt (electronic or otherwise) of sufficient documentation from the disbursing office or entitlement activity, the applicable accounting office must attempt to match the disbursement with its corresponding obligation and record the disbursement.

b. If supporting documentation is not received within 30 days of request, the accounting office must reject the in-transit disbursement in accordance with subparagraph 111405.D.3. However, transactions $2,500 or less (as required by subparagraph 111401.D.) must not be rejected, but instead must be recorded as a UMD and must be researched in accordance with subsection 110501.

3. Reject Disbursement Transactions. Upon making a determination that accountability for a disbursement transaction belongs to another accounting office, or that supporting documentation will not be provided, an accounting office must reject the disbursement transaction to its accounting center.

111406. Additional Responsibilities for Resolving In-transit Disbursements

A. Ultimately, in-transit disbursements must be matched to an obligation by an accounting office or declared an erroneous payment by a disbursing office. In accordance with subsections 111404 and 111405, an in-transit disbursement transaction, with supporting documentation, shall be transmitted to an accounting office as efficiently as feasible for recordation.

B. The following responsibilities apply for all in-transit disbursements:

1. Once an accounting office has sufficient supporting documentation (hard copy or electronic) to allow it to match an in-transit disbursement with an obligation, it must process the in-transit disbursement and treat it as a matched disbursement, an UMD, or a NULO, as applicable, depending on whether the disbursement was matched to an obligation and the amount. All UMDs and NULOs must be researched and obligated in accordance with sections 1103 to 1107.

2. Notwithstanding the actions required by subparagraph 111406.B.1, should a disbursement subsequently be identified to a specific obligation, appropriation, funds holder or DoD Component, the accounting office, paying center, accounting center, disbursing office, or entitlement activity involved must work with the applicable office, center, funds holder and/or DoD Component to transfer the charge to the appropriate funds holder, appropriation manager or DoD Component. Any resulting UMD or NULO must be researched and obligated in accordance with sections 1103 to 1107.

C. The DFAS Headquarters must monitor and maintain reports on all unprocessed in-transit disbursements, undistributed in-transit disbursements, or any other in-transit disbursements. Such reports must identify the applicable disbursing office, paying center, accounting center and accounting office, the amount, as well as appropriate corrective actions being taken. The DFAS Headquarters also must ensure that in-transit disbursements are processed, resolved, obligated, or reported as erroneous payments in accordance with applicable provisions, and within the applicable timeframes, specified in this chapter.

1115 REPORTING REQUIREMENTS

111501. Data Collection Requirements

The DFAS must be responsible for collecting and consolidating data and reporting on the amounts and the status of UMDs, NULOs, and in-transit disbursements.

111502. Recurring Monthly Reporting Requirements

The DoD Component accounting offices must transmit to the DFAS Headquarters, on a monthly basis, a status report identifying all disbursement transactions that have not been matched to an obligation. The DFAS will specify the format and detail reporting requirements.

1116 MAINTENANCE OF ADEQUATE RECORDS

The DoD Components, and supporting accounting offices, must maintain an audit trail with adequate records to substantiate all transactions, amounts and actions taken with respect to the research and clearing of UMDs, NULOs, and in-transit disbursements. This includes, but is not limited to, determinations that selected transactions meet the criteria for discontinuing further research.

VOLUME 3, CHAPTER 12: POLICIES AND PROCEDURES GOVERNING THE USE OF THE "FEED AND FORAGE" AUTHORITY OF SECTION 3732, REVISED STATUTES (41 U.S.C. 11)"

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 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Date Refresh	Refresh
Title	Add "Feed and Forage" to the title and correct misspelling of "Statutes".	Add
120205	Adds requirement to report anticipated use of authority	Add
120208	Adds requirement to report obligations through Military Departments to USD(C)	Add

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CHAPTER 12

POLICIES AND PROCEDURES GOVERNING THE USE OF THE "FEED AND FORAGE" AUTHORITY OF SECTION 3732, REVISED STATUTES (41 U.S.C. 11)

1201. OVERVIEW

120101. Purpose

This chapter establishes departmental policy and basic procedures to be followed with respect to the use of the authority of Section 3732, Revised Statutes (41 U.S.C. 11). That statute authorizes the Military Departments to incur obligations for specific purposes in excess of appropriations available.

120102. General

A. Title 41, United States Code, section 11, authorizes the Military Departments to incur obligations in excess of available appropriations in procuring or furnishing clothing, subsistence, forage, fuel, quarters, transportation, or medical and hospital supplies not to exceed the necessities of the current fiscal year.

B. Title 10, United States Code, section 2204, requires the Secretary of Defense to approve scheduled rates of obligations of funds appropriated to the Department for the purpose of restricting obligations and expenditures as may be necessary to prevent overdrafts and deficiencies in any fiscal year for which appropriations are made. Section 2204 does not prohibit the Department from incurring a deficiency as separately authorized by law.

C. Volume 14 of this Regulation (which implements 31 U.S.C. 1517(a)) establishes the basic system of controls and other fundamental requirements for the administration of appropriations and funds. The system of administrative controls was designed to (1) restrict obligations and expenditures against appropriations and funds to the amounts available therein or to the amounts apportioned, and (2) enable officials to fix responsibility in the officers and employees of the Department who may violate any provision of the law or regulation.

1202. POLICY AND PROCEDURES

120201. Urgent Circumstance

The Department shall limit its use of the authority in 41 U.S.C. 11 to emergency circumstances. The exigencies of those circumstances must be such that immediate action is imperative and action cannot be delayed long enough to obtain sufficient funds to cover the procurement or furnishing of those items in paragraph 120102.A., above, needed for the current fiscal year. In determining the urgency of the circumstances, due consideration shall be given in each specific case to the feasibility of obtaining funds by use of telephones, facsimile machines,

or other electronic means. The authority of 41 U.S.C. 11 shall not be used to circumvent the provisions of 31 U.S.C. 1517(a).

120202. Condition and Circumstance

It is not considered practicable to define specifically the conditions and circumstances which conceivably could constitute an emergency. Each instance in which the authority of 41 U.S.C. 11 is to be used must be determined on a case-by-case basis in accordance with the policy guidelines in this chapter.

120203. Administering Funds

Funds shall be administered in accordance with the system of administrative controls established by Volume 14 of this Regulation in such a manner that officials, responsible for administering each appropriation, allocation, allotment, and other fund subdivisions, may take timely action to prevent overobligation of any fund subdivision, notwithstanding 41 U.S.C. 11.

120204. Overobligation

Overobligation of any appropriation or fund subject to apportionment, or any subdivision thereof for procurement or furnishing of those items in paragraph 120102.A., above, shall be deemed to be a violation of the Antideficiency Act. There are two exceptions: (a) If the overobligation was made in emergency circumstances in accordance with the spirit and intent of provisions set forth above, and (b) if such procurements are not in excess of the necessities to relieve the period of emergency. However, for the second exception, the necessities for such period cannot exceed the necessities of the current fiscal year.

*120205. Valid Requirements

Proposed or anticipated use of 41 U.S.C. 11 authority to incur obligations shall be reported, in advance when feasible, through financial management channels. When it is necessary to create or authorize an overobligation for the purposes set forth in 41 U.S.C. 11, the individual responsible shall determine, and so certify in writing, that all three of the following circumstances existed:

A. An emergency existed within the spirit and intent of this section (1202).

B. The purpose for which the overobligation was created or authorized was to meet other necessities of the period involved.

C. It was not feasible to obtain in advance sufficient funds to cover such necessities.

120206. Certification of Overobligation

Such certification shall indicate the amount of the overobligation and shall be filed with the supporting records of the appropriation, allocation, or allotment involved. The overobligation shall be disclosed fully in the fiscal reports to the next higher level of command, indicating that the overobligation was incurred under authority of 41 U.S.C. 11.

120207. Authorization

Having exercised the authority of 41 U.S.C. 11 pursuant to this chapter, the individual responsible shall advise the next higher level of command immediately and take appropriate steps to obtain additional funds.

*120208. Reporting Procedures

All obligations incurred under authority of 41 U.S.C. 11 shall be reported through command channels to the applicable Military Department Comptrollers who shall provide a draft 41 U.S.C. 11(b) congressional report to the Office of USD(Comptroller).

VOLUME 3, CHAPTER 13: "RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES—DEPARTMENT 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
130201	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
130202.A	Clarified the differences between appropriations and authorization acts.	Add
130202.A.1	Added examples for each type of budget authority and defined earmark.	Add
130202.A.6	Defined continuing resolution.	Add
130202.A.7	Defined the lapse or gap of funding.	Add
130202.A.8 130202.C 130206.C 130206.D 130209.B	Referenced the TFM and deleted reference to Figure 13-1.	Update
130204.E.2	Updated reference to Chapter 19 of this volume.	Update
130205.B.3	Clarified nonexpenditure transfer of funds.	Update
130207.C 130301.F 130303.B	Updated Volume 1, Chapter 7, Appendix B hyperlink to Volume 1, Chapter 7, Figure 7-3.	Update
130207.D	Updated Volume 14, Appendix A hyperlink to Volume 14, Chapter 1.	Update

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
130306	Changed P.L. 101-510 to section 1552 of title 31, United States Code. Referenced canceled appropriation obligation policy in Chapter 10 of this volume.	Update
Figure 13-1	Referenced the TFM in related paragraphs and deleted Figure 13-1.	Delete

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CHAPTER 13

RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES DEPARTMENTAL-LEVEL

1301 GENERAL

130101. Purpose

The purpose of this chapter is to prescribe the standards for recording receipt and subsequent distribution of budgetary resources transactions in the departmental-level budgetary accounts.

130102. Applicability and Scope

The departmental-level budgetary accounts apply to the Military Departments and the Washington Headquarters Services at "headquarters" level.

130103. Overview

The main purpose of the budgetary accounts prescribed for a departmental-level accounting entity is to ensure that the budget execution accounting required by the Congress, the Office of Management and Budget (OMB), the Treasury Department, and the Office of the Secretary of Defense (OSD) is accomplished. Departmental-level accounting covers appropriation by the Congress, apportionment and reapportionment by OMB, and allocation to the execution level. In addition, budgetary accounts used at the departmental level ensure that transfers between appropriation and fund accounts, and restorations and withdrawals of budgetary resources are properly recorded. The monitoring of lower levels and consolidating reports for higher levels are facilitated by accounting at the departmental level.

1302 STANDARDS

*130201. Accounts

The accounts established for use by departmental-level accounting entities implement the ***United States Standard General Ledger (USSGL)*** contained in Volume 1, Chapter 7. Budgetary accounting entries for the USSGL accounts are specified in the ***USSGL Standard Financial Information Structure (SFIS) Transaction Library***. In addition to detail level accounts used for routine posting of transactions, summary accounts are provided to facilitate aggregation of data for reporting purposes. Budgetary accounts have been established for recording appropriations and other budget authority realized apportionments, allocations, transfers, and contract authority transactions. Amounts of budgetary resources received are debited to specifically titled accounts for each of these resources and credited to accounts that recognize the availability status of the resources. The departmental-level accounting entity also issues fund allocations to subordinate commands. In addition, the special actions of restorations and withdrawals of budgetary

resources are accomplished at departmental-level. The following subsections set forth the standards for recording transactions in the departmental-level accounts.

130202. Appropriations

* A. General. Appropriations are statutory authorities to incur obligations (see subparagraph 130204.B, for an exception) and make payments from the United States Treasury for specified purposes. The making of an appropriation must be stated expressly. An appropriation may not be inferred or made by implication. An authorization act is a statute, passed annually by Congress, which authorizes the appropriation of funds for programs and activities. An authorization act does not provide budget authority. That authority stems from the appropriations act. Authorization acts frequently contain restrictions or limitations on the obligation of appropriated funds. An appropriations act is the most common form of budget authority. Budget authority has the following characteristics:

1. Period of Availability. Budget authority may be made available for obligation for varying periods.

a. One-Year (Annual) Authority. Budget authority that is available for obligation only during a specified fiscal year and expires at the end of that period. For example, operations and maintenance (O&M) and personnel appropriations.

b. Multiple Year Authority. Budget authority that is available for obligation for a specified period of time in excess of one fiscal year. For example, research, development, test and evaluation (RDT&E) appropriations (2 years); procurement appropriations (3 years); Shipbuilding and Conversion, Navy appropriation (5 years); and military construction appropriations (5 years).

c. No-Year Authority. Budget authority that remains available for obligation for an indefinite period of time. See paragraph 130209of this chapter for an example.

d. Earmark. An earmark occurs when Congress designates a portion of an appropriation for a particular purpose by way of legislative language within the appropriation.

2. Phases of Availability. Annual and multiple year appropriations pass through three phases of availability.

a. Current or Unexpired Phase. The current or unexpired phase is the time period when the appropriations are available for incurring new obligations.

b. Expired Phase. The expired phase is the period of time when the appropriations are no longer allowed to incur new obligations but still available to liquidate valid obligations incurred during the unexpired phase. Adjustments, such as contract changes, may be made to increase or decrease valid obligations that were made before the

appropriations expired. Normally, this phase lasts for five years except when a law specifically lengthens this phase. See Chapter 10 for accounting requirements for expired accounts.

c. Canceled Phase. The canceled phase follows the expired phase. Payments cannot be made from the canceled account for legitimately incurred obligations that have not been paid at the time the account is canceled. After an account is canceled, any obligation or adjustments to obligations that properly would have been chargeable to that appropriation may be paid from an unexpired appropriation that is available for the same purpose as the canceled account if:

(1) The obligation or obligation adjustment is not already chargeable to another unexpired account and

(2) The payment of obligations against the canceled appropriation from the unexpired appropriation does not exceed one percent of the unexpired appropriation (this is a single cumulative amount). See Chapter 10 for accounting requirements for closed/canceled accounts.

3. Determination of Amount. Budget authority may be granted for varying amounts.

a. Definite Authority. Authority that is stated as a specific sum at the time it is granted. This includes authority stated as not to exceed a specified amount. Most DoD appropriations are for definite amounts of authority.

b. Indefinite Authority. Authority for which a specific sum is not stated, but is determined by other factors such as the receipts from a certain source or obligations incurred. For a more complete discussion of indefinite authority, see paragraph 130209.

4. Reappropriations. Reappropriations are statutory authorities that extend the obligating/paying authority for all or part of the unobligated balances of expiring and expired appropriations. See paragraph 130206 for the complete discussion of reappropriations.

5. Exceptions. Appropriations to liquidate contract authority are exceptions to the general rule that appropriations provide budget authority to incur additional obligations (see subparagraph 130204.B.).

6. Continuing Resolution. An appropriation, in the form of a joint resolution, that provides budget authority, specific activities, or both to continue operation when Congress and the President have not completed action on the regular appropriations acts by the beginning of the fiscal year.

7. Funding Lapse or Gap. A funding lapse or gap occurs when a previous budget authority expires and there exists no regular appropriations act or continuing resolution.

8. Appropriation Warrants. The evidence of law that establishes, by appropriation symbol, the individual amounts appropriated by Congress.

a. Financial Management Service (FMS) Form 6200, *Department of the Treasury Appropriation Warrant* (see ***Treasury Financial Manual (TFM), Volume 1, Part 2, Chapter 2000, Appendix 1***), is a convenient source document for entries into the accounts. To ensure agreement with Treasury Department accounts, warrants must be recorded exactly as received even if they are thought to be in error. Corrections must be journalized and corrected warrants requested. However, amounts known to be enacted into law must be recorded for accounting period reports regardless of receipt of the warrant.

b. The Military Departments and Washington Headquarters Services (for the OSD/Defense Agencies) must request FMS Forms 6200 (see ***TFM Volume 1, Part 2, Chapter 2000***) from the Treasury Department during the period of a continuing resolution for a specified period of time less than a full fiscal year, or if the continuing resolution is for a full fiscal year with designated appropriation amounts. When there is a separate appropriation act, the Treasury Department will prepare and distribute the FMS Forms 6200 without a request from the applicable DoD Components.

B. Classification of Appropriations. Departmental-level appropriations and all other budgetary resources must be classified by appropriation account, fiscal year program, and obligation/expenditure limitation, at the level required by OSD for appropriation and fund status reporting (see Volume 6A, Chapter 4). Needed classification requirements must be obtained from the legal requirements and program/budget documents such as the ***Department of Defense (DD) Form 1414, Base for Reprogramming Action***.

* C. Recording an Appropriation. Record an appropriation realized as provided on the FMS Form 6200 (see ***TFM Volume 1, Part 2, Chapter 2000, Appendix 1***).

D. The appropriation act itself may require withholding some of the appropriation; a rescission may be proposed, or the OMB may impose a deferral. Amounts not made available by apportionment must be recorded. Credit accounts 4395, *Authority Unavailable for Obligation Pursuant to Public Law - Temporary*; 4420, *Unapportioned Authority - Pending Rescission*; and 4430, *Unapportioned Authority - OMB Deferral* are established to accommodate these complexities. Debit entries reclassifying these credit balances must be recorded when evidence is received that the legal requirements have been met or the required administrative actions have been taken.

130203. Apportionments and Reapportionments

A. An apportionment or reapportionment is a distribution made by OMB of amounts available for obligation in an appropriation or fund account. Apportionments and reapportionments by the OMB are required before funds may be obligated, except in certain instances as specified in ***OMB Circular No. A-11***. The distribution of apportionments is part of an overall financial plan for the year that is based on a forecast of obligations to be incurred within an appropriation. The apportioned amount is in response to a departmental request made

on ***Standard Form (SF) 132, Apportionment and Reapportionment Schedule***. Apportionments divide amounts available for obligation by specific time periods (usually quarters), activities, projects, objects, or by combinations of these categories.

B. The completed SF 132, showing the apportioned amounts, normally is the source document used to record apportionments and reapportionments. However, letter apportionments often are used during the period of a continuing resolution for unexpired unobligated balances brought forward, and for special circumstances such as transfers that occur near the end of a fiscal year.

C. Record budgetary authority received on the SF 132 and available for allotment and record anticipated reimbursements.

D. However, complexities must be accommodated. Some of the amounts apportioned may be withheld; some may be unavailable pursuant public law; and some may be subject to rescission.

1. The term "direct program" refers to the obligation authority specified in an appropriation act itself. The appropriation does not specify the amount of reimbursable work expected to be accomplished. Authority to accept a customer order for reimbursable work and use obligation authority provided through that acceptance must either be authorized specifically in the apportionment process or be of the type that becomes automatically apportioned and available upon acceptance of customer orders. For a more complete discussion of reimbursements, see Chapter 15 of this volume.

2. The reimbursable program specifically apportioned must be allocated subject to withholdings by the Office of the Secretary of Defense. Record anticipated reimbursable program authority apportioned but not available for use until realized.

E. Amounts apportioned through the current period of the fiscal year may be assumed to be allocable unless specific identification of withholding is made.

F. If SF 132s on hand are not yet processed with regard to the latest appropriations enacted, amounts necessary to cover valid commitments and obligations must be recorded at the end of the accounting period as apportioned and allocated. If an enacted supplemental appropriation is not included on the year-end SF 132, it nevertheless must be recorded as fully apportioned.

G. In the absence of an appropriation, the Congress may pass a resolution providing authority for agencies to continue current operations. Continuing resolutions are subject to OMB apportionment in the same manner as appropriations. Within periods of continuing resolution authority, the President's budget estimates of the unobligated balances are brought forward on October 1, and the reimbursable program for each appropriation account must be recorded as apportioned and allocated to the extent that they remain within any amount specifically designated by the authority. If the estimates for each amount have been reduced from the President's budget, apportionments and allocations must be recorded at the reduced

amount. Increases are to be considered available for subsequent apportionment and must not be allocated until an approved SF 132 containing the increase has been received.

H. If amounts actually becoming available are less than anticipated for indefinite budget authority, transfers, reimbursements, or recoveries; the difference will be deducted from amounts apportioned and not from amounts deferred or otherwise unapportioned unless specific provision is made for a different treatment on the approved apportionment form or reapportionment action is taken.

I. Not all appropriations are apportioned, therefore; record non-apportioned appropriations.

130204. Indefinite Contract Authority

A. Contract authority is statutory authority to incur obligations prior to an appropriation (or the realization of revenues) for the future payment of such obligations. (See subparagraph 130204.B.) Indefinite contract authority is that contract authority in which a specific amount of contract authority is not predetermined but, instead, is available as needed to cover the obligations incurred. Although indefinite contract authority is normally accounted for through a no-year appropriation account, contract authority must be apportioned each fiscal year. The major permanent indefinite authorities are as follows:

1. Emergency military procurement under ***section 11 of Title 41, United States Code (U.S.C.)***;

2. Inventory procurement in anticipation of succeeding fiscal year sales under ***subsection 2210(b) of Title10, U.S.C.***; and

3. Procurement for foreign military sales under ***section 2762 of Title 22, U.S.C.***

B. Contract liquidating authority is an appropriation or reappropriation enacted to pay the obligations incurred under contract authority. However, within the Department of Defense, the realization of revenue, rather than an appropriation, normally is used to liquidate unfunded contract authority.

C. Record the allocation of anticipated contract authority and the subsequent realization upon commitment or obligation action. Specifically, record anticipated indefinite contract authority; budget authority apportioned by OMB and available for allotment; allotment of apportioned contract authority; and the realization of contract authority that was previously anticipated (upon commitment or obligation).

D. Contract authority retains its separate identity at departmental-level through the use of specifically designated accounts. Additionally, the date and number of the establishing public law must be entered into the records.

E. More specific guidance on accounting for each of the permanent indefinite contract authorities may be found as indicated below:

1. Emergency military procurement is covered in ***section 11 of Title 41, U.S.C.***

* 2. Working Capital Fund contract authority is covered in Chapter 19.

3. Foreign military sales contract authority is covered in Volume 15.

130205. Transfer of Funds

When specifically authorized by law, all or part of the budget authority in one account may be transferred to another account. These transfers must be made on an expenditure or nonexpenditure basis, as appropriate.

A. Expenditure Transfers Between Appropriations. Expenditure transfers are made when the transfer benefits the transferring account. Since they are treated as payments and collections, expenditure transfers are not applicable to departmental-level accounting entities. These transactions include the following:

1. Withdrawals and credits between accounts not specifically defined as nonexpenditure transactions;

2. All transfers between United States Treasury budgetary and nonbudgetary accounts such as general fund accounts and deposit accounts; and

3. Adjustments to correct errors in expenditure transactions. (Obligations must be transferred also, when appropriate.)

B. Appropriation Transfers

1. Appropriation transfers are distributions of one agency's budgetary resources to another. Transfers between appropriations must be authorized by law and represent a redistribution of unobligated balances of budget authority between appropriation accounts for the benefit of the gaining appropriation account. For purposes of this paragraph, they will not include transfers for establishment of transfer appropriation accounts for the benefit of the transferring account.

2. Appropriation transfers can be anticipated and recorded as such or they can occur without being previously recorded as anticipated. An anticipated appropriation transfer does not provide any obligation authority. These transfers often are anticipated during apportionment development. Approved anticipated transfers are treated as authority available for apportionment, and prior year authority and current year authority are kept separate. Agreement between the transferring and receiving appropriation accounts must be maintained. Accordingly, anticipated and accomplished transfers must be recorded and reported in the transferring and

receiving appropriation accounts in the same accounting period. Obligation authority is available only after the transfer is accomplished and the OMB apportions the transferred funds. Once the transfer is accomplished, the appropriation making the transfer no longer has budgetary and proprietary control of the funds. Budgetary and proprietary responsibility now lies with the appropriation receiving the transfer.

* 3. ***SF 1151, Nonexpenditure Transfer Authorization***, is used to document transfers. Chapter 3 contains additional information about appropriation transfers. A nonexpenditure transfer is a redistribution of either unobligated balances of budget authority provided in a previous year or budget authority provided in the current year between appropriations or funds for the benefit of the gaining appropriation or fund that does not involve an outlay. Transfers of obligated balances and sometimes reappropriations also require nonexpenditure transfers. Nonexpenditure transfers of funds may be received from another appropriation or fund or may be made to another appropriation or fund when appropriate and authorized. A nonexpenditure transfer of funds received from another appropriation or fund increases the amount of available budgetary resources. A nonexpenditure transfer of funds made to another appropriation or fund decreases the amount of available budgetary resources.

C. Anticipation of Appropriation Transfer. Record in the transferring agency the transfer-out of current-year authority or from prior year balances that were anticipated. And record in the receiving agency the anticipated transfer-in of current-year authority or from prior year balances.

D. Actual Appropriation Transfer. Record in the transferring agency the transfer-out of current-year or prior-year anticipated appropriations. And record in the receiving agency the transfer-in of current-year or prior-year anticipated appropriations.

130206. Reappropriations

A. General. A reappropriation is statutory authority to restore or extend the obligational availability, whether for the same or different purpose, of all or part of the unobligated balance of budget authority that has expired or would otherwise expire in an annual or multiple year appropriation. Reappropriation transactions require nonexpenditure transfer of the funds involved from the expired or otherwise expiring account to the designated current account. Reappropriations that provide funds to a fiscal year for which they were not previously available constitute new budget authority in the receiving account.

B. Use of SF 1151. A SF 1151, annotated “REAPPROPRIATION” in the top right-hand corner, must be used to accomplish the reappropriation when a current year law extends the availability of part or all of a:

1. Current year appropriation;

2. Prior year unexpired appropriation; or

3. Prior year expired or expiring appropriation when the unobligated balance has not been withdrawn previously to the surplus fund of the Treasury.

* C. Use of FMS Form 6200. The FMS Form 6200 (see ***TFM Volume 1, Part 2, Chapter 2000, Appendix 1***) must be used when a current year law extends the availability of part or all of a prior year expired appropriation when an unobligated balance is available at fiscal year-end for reappropriation in a subsequent fiscal year.

* D. Obtaining Appropriation Warrants. A FMS Form 6200 (see ***TFM Volume 1, Part 2, Chapter 2000***) must be requested from the Treasury Department for reappropriations. The letter of request must state the amount to be warranted and the statutory authority for the reappropriation. The address for this request letter is:

Budget Reports Division
Financial and Budget Reports Directorate
Government Accounting
Financial Management Service
Department of the Treasury
3700 East-West Highway
Hyattsville, MD 20782
Telephone (202) 874-9950
Fax (202-874-9944

E. Timing of Actions

1. Necessary steps to initiate the source documents and record the reappropriation in the gaining and losing accounts normally must be undertaken in the month following the effective date of the legislation providing for the reappropriation.

2. If the available balance in a losing appropriation is not sufficient to cover prompt transfer, the reappropriation may be delayed, effected in part or, for good cause, not made at all. Decisions to delay or not make a reappropriation transfer require written notification to the Under Secretary of Defense (Comptroller) (USD(C)), within five working days of the determination. The notification must set forth the circumstances requiring the delay or nonperformance of the reappropriation transfer.

F. Withdrawal of Unobligated Balances. Normally, unobligated balances in the losing accounts will be withdrawn from operating activities. However, formal withdrawal is not necessary when the operating activity has both the gaining and losing accounts, and the intent of the reappropriation is to extend the availability of funds for the same purposes as the losing account. In this case, local entries may be made to ensure that transactions, records, and reports cite the gaining account rather than the losing account.

G. Recording Reappropriations. Reappropriations are recorded as other new budget authority.

130207. Allocations

A. Allocations are distributions of apportionments or funds that do not require apportionment by the departmental-level accounting entity to an operating agency or other intermediate-level accounting entity.

B. Allocations carry the same legal and other limitations as apportionments.

* C. Accounting Entries

1. Record the allocation of obligational authority from department levels to intermediate levels as follows:

Budgetary Entry
DR 4510 Apportionments
CR 4540 Internal Fund Distributions Issued

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

NOTE: The intermediate-level budgetary accounts are used to record the receipt of allocations or suballocations from higher authority, and the subsequent issuance of allotments to installation-level activities. Definitions for accounts 4540 through 4580 are prescribed in Volume 1, Chapter 7, Figure 7-3. For Non-Department of Defense reporting, accounts 4540 through 4580 must be reported with account 4510, *Apportionments*.

2. Record the issuance of reimbursable authority from department levels to intermediate or execution levels (Performing Entity) as follows:

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

Proprietary Entry
None

* D. Since an oral allocation generally has no validity, allocations must be in writing. The format is determined by the departmental-level accounting entity issuing the allocation. However, see Volume 14, Chapter 1, subparagraph 010206.C.4 for use of expedited means of communication in emergencies.

E. Interagency allocations are distributions of one agency's budgetary resources to another. They are separately identified in the accounts to ensure that the recipient agency is responsive to the allocating agency. Such allocations can be nonexpenditure transfers, which establish transfer appropriation accounts, or subdivisions of one DoD Component's funds

to another DoD Component to cite directly. From a consolidated standpoint, it is important that the issuing and receiving agencies record the allocation in the same accounting period. Interagency allocations normally occur between different levels of command within a major command/claimant.

130208. Withdrawals and Restorations

A. Congressionally enacted appropriations for the Department usually are available for a fixed period of one or more fiscal years. Authority to incur new obligations expires at the end of the period of availability. Upon expiration, an appropriation may have obligations – paid, obligations – unpaid, or an unobligated balance.

B. Expired balances retain their fiscal year identity for the following five fiscal years. During this five year period, the unobligated balance of an expired fund is available only for adjustments to obligations initially incurred during the fiscal year (or years) for which the appropriation account was available. The unobligated balance of an expired fund may not be used to create new obligations. Normally, at the end of the five year period, any remaining unobligated balance and unliquidated obligations must be transferred to account 4350, *Canceled Authority*.

C. The following definitions are for the specific terms applicable to withdrawals and restorations.

1. Withdrawal. Unobligated amounts that are withdrawn by administrative action (rather than by law) from obligation availability. A withdrawal excludes amounts of expired accounts and amounts rescinded by the Congress.

2. Restoration. A previously withdrawn unobligated amount that is again made available for obligation and outlay.

D. Withdrawn amounts are credited to account 4391, *Adjustments to Indefinite No-Year Authority*, and debited to account 4510, *Apportionments*. Restorations are accounted for by contra entries to the withdrawal (i.e., debit account 4391, *Adjustments to Indefiniate No-Year Authority*, and credit account 4510, *Apportionments*.

E. The balance in account 4650, *Allotments - Expired Authority*, is not a fund balance (i.e., cash) account available in the Treasury. Transfers into the account (withdrawals) and transfers out (restorations) do not, in and of themselves, affect the cash position of the U.S. Treasury. Expired authority is an available budgetary resource for the specific purpose of ensuring that valid obligations of expired and lapsed appropriation accounts can be met without recourse to individual appropriation action by the Congress.

130209. Indefinite Appropriations

A. Indefinite appropriations are appropriations of a current or permanent nature in which a definite amount is not stated, but is to be determined otherwise on the basis of

stipulated subsequent events. One type of indefinite appropriation for the Department is available receipts. For example, the receipts under the Federal Account Symbol and Title 215095, *Sale of Hunting and Fishing Permits, Military Reservations*, are, by permanent appropriation, available for expenditure under appropriation account 21X5095, *Wildlife Conservation, etc., Military Reservations, Army*. The amount authorized may be all or a portion of the receipts under a receipt account, but they may not be available until a warrant is issued by the Treasury Department or the amount authorized may be specified as the amount actually obligated for a specified purpose.

* B. Amounts of indefinite appropriations derived from available receipts anticipated for the fiscal year should be recorded from journal vouchers that are based upon responsible officials' current estimates of receipts for the fiscal year. Indefinite appropriation amounts realized must be reported monthly to the Department of the Treasury (see Volume 6A, Chapter 3). These amounts are warranted by the Treasury Department on a FMS Form 6200 (see ***TFM Volume 1, Part 2, Chapter 2000, Appendix 1***) at the end of the fiscal year. However, since these indefinite appropriations have been recorded on the basis of statements of transactions, the warrants will be used merely to confirm the amounts recorded.

C. Anticipated amounts of indefinite appropriations derived from available receipts must be reported as anticipated budgetary resources until the amounts are realized. The budget authority generated will increase the uncommitted or unobligated balance reported on the ***SF 133, Report on Budget Execution***; however, such balances should not be recorded in the accounts as currently available for obligation until receipts are realized.

130210. Reprogramming

The practice of reprogramming departmental funds covered in appropriation acts is a necessary, desirable and timely device for achieving flexibility in the execution of Defense programs. Specific guidance on the procedures for reprogramming of DoD appropriated funds is contained in Chapters 6 and 7.

1303 ACCOUNT ADJUSTMENTS AND ACCOUNT CLOSING PROCEDURES

130301. Adjustments to Expiring and Nonexpiring Accounts

A. Cancel appropriation transfers anticipated to be made to or from other accounts. Anticipated appropriation transfers must be canceled as of the end of the fiscal year in which anticipated.

B. Eliminate unrealized anticipated indefinite appropriations.

C. Cancel anticipated reimbursements in no-year, expiring annual, and multiple year accounts as of the end of the fiscal year.

D. Record the cancellation of expired authority and withdraw funds.

E. Reduce appropriations realized by the amount of budgetary resources withheld pursuant to public law.

* F. The entry to recognize unallotted allocations of realized transfers held at the intermediate level and unobligated allotments of realized transfers held at the installation level is as follows:

Budgetary Entry
Dr 4540 Internal Fund Distributions Issued
Cr 4510 Apportionments

Proprietary Entry
Dr 1010 Fund Balance With Treasury
Cr 3101 Unexpended Appropriation – Appropriations Received

NOTE: The intermediate levels and the installation levels must inform the departmental-level accounting entity of the unallotted allocations and unobligated allotments as described in paragraph 130303.B. Definitions for accounts 4540 through 4580 are prescribed in Volume 1, Chapter 7, Figure 7-3. For Non-Department of Defense reporting, accounts 4540 through 4580 must be reported with account 4510, *Apportionments*.

130302. Budget Execution Report Preparation

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

130303. Notification From Lower Levels

The departmental-level accounting entity must be informed by the intermediate and installation levels of the following adjustments and account balances as specified in Volume 6A, Chapter 2.

A. Installation-Level Notification To Be Provided. Uncommitted and unobligated balances remaining in expiring accounts for direct authority (account 4610, *Allotments – Realized Resources*).

B. Intermediate-Level Notification To Be Provided. Unallotted allocations of direct program authority to the installation level (account 4560, *Funds Available for Allotment*). Definitions for accounts 4540 through 4580 are prescribed in Volume 1, Chapter 7, Figure 7-3. For Non-Department of Defense reporting, accounts 4540 through 4580 must be reported with account 4510, *Apportionments*.

130304. Closing Procedures

After preparation of the prescribed budget execution reports, the following entries must be made, at the expiration of the period of availability for obligation, to close expended amounts

to the authorizing account for the expenditures and to withdraw any remaining program authority.

A. Direct Funds. Record unobligated budget authority for unexpired annual or multi-year appropriations; close unobligated balances to expired authority; reduce appropriations realized by the amount of rescinded appropriations; close transfers accomplished to other appropriations or funds; and close appropriation transfers realized from other appropriations or funds.

B. Reimbursable Program Closing Entries. No closing entries must be made for the reimbursable program at the departmental level. An adjusting entry, specified in paragraph 130301.C, eliminates any departmental-level reimbursable program account balance.

130305. Adjustments to Expired Authority

Account 4650, *Expired Authority*, represents the unobligated balance in an appropriation at the time of its expiration. Expired authority, prior to cancellation of an appropriation, authorizes a DoD Component to adjust upward previously under recorded obligations or to record obligations initially that should have been recorded (but were not) against an expired appropriation before its expiration. Adjust obligations upward through use of expired budget authority. Obligation, expenditure, and closing of expired authority is recorded in the same manner as current year direct program appropriation accounts.

*130306. Canceled Authority

Section 1552 of title 31, U.S.C. requires any balance remaining in an account in excess of 5 years to be canceled. Account 4350, *Canceled Authority*, represents the amount of canceled authority (includes both unobligated and obligated but unpaid). Payment of obligations incurred in a canceled appropriation must be made from a current appropriation available for the same general purpose as the one from which the payables were canceled. The total of payments from a current appropriations for obligations and payables of a canceled appropriation should not exceed one of the amounts specified in Chapter 10, subparagraph 100201.F.

A. Transfer expired authority at the time of cancellation of an appropriation.

B. Allocate budget authority at the departmental level from a current appropriation to pay obligations applicable to a canceled appropriation. Record an obligation and accounts payable in an unexpired appropriation for a valid bill related to a canceled appropriation.

VOLUME 3, CHAPTER 14: "RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES—INTERMEDIATE 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
140104	Updated reference from United States Standard General Ledger (USSGL) Treasury Financial Manual (TFM) to USSGL Standard Financial Information Structure (SFIS) Transaction Library. Deleted "except for budgetary entries that apply to accounts 4540 through 4580" because the USSGL SFIS Transaction Library includes accounting entries for these accounts. Updated Volume 1, Chapter 7, Appendix B hyperlink to Volume 1, Chapter 7, Figure 7-3.	Update
140201.A 140202.B	Updated Volume 14, Appendix A hyperlink to Volume 14, Chapter 1.	Update

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CHAPTER 14

RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES AT THE INTERMEDIATE LEVEL

1401 GENERAL

140101. Purpose

The purpose of this chapter is to prescribe the standards for recording receipt and subsequent distribution of budgetary resources in the intermediate-level budgetary accounts, which are applicable to operating agencies or other intermediate-level accounting entities.

140102. Applicability and Scope

Only those DoD Components that are structured organizationally into three (or more) levels are required to use the intermediate-level accounts covered by this chapter.

140103. Overview

The intermediate-level budgetary accounts are used to record the receipt of allocations or suballocations from higher authority, and the subsequent issuance of allotments to execution-level activities.

*140104. Accounts

The accounts established for use at the intermediate level 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***. Definitions for these accounts are in Volume 1, Chapter 7, Figure 7-3 and intermediate accounting entries are prescribed in this chapter. For Non-Department of Defense reporting, accounts 4540 through 4580 must be reported with account 4510, *Apportionments*.

1402 STANDARDS

140201. Allocations

An authorization by a designated official of a DoD Component making funds available within a prescribed amount to an operating Agency for the purpose of making allotments and incurring obligations.

* A. An allocation or suballocation must be made in writing and contain an original grantor signature or the electronic equivalent. However, Volume 14, Chapter 1, subparagraph 010206.B.1.a permits the use of an automated system to communicate and record

such fund subdivisions as long as a confirmation copy is provided to the recipient within a reasonable time, usually one month.

B. Allocations, suballocations, or their parts, that are not required to be further subdivided may be treated and recorded as allotments.

C. Accounting Entries

1. Record allocations received from department levels to intermediate levels as follows:

Budgetary Entry
Dr 4550 Internal Fund Distributions Received
Cr 4560 Funds Available for Allotment

Proprietary Entry
Dr 1010 Fund Balance With Treasury
Cr 3101 Unexpended Appropriations – Appropriations Received

2. Record the receipt of reimbursable authority from department levels to intermediate levels as follows:

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

Proprietary Entry
None

140202. Allotments

A. An allotment is a formal distribution of an allocation or suballocation and must contain at least the same legal and other limitations applicable to the allocation or suballocation.

* B. Since, an oral allotment generally has no validity, allotments must be in writing. However, see Volume 14, Chapter 1, subparagraph 010206.C.4 for use of expedited means of communication in emergencies. No form is prescribed; it may be designated to meet the needs of the allotter.

C. Accounting Entries

1. Record the allotment of obligational authority from the intermediate levels to the execution levels as follows:

Budgetary Entry
Dr 4560 Funds Available for Allotment
Cr 4570 Allotments Issued

Proprietary Entry
Dr 3101 Unexpended Appropriations – Appropriations Received
Cr 1010 Fund Balance With Treasury

2. Record the issuance of reimbursable authority from intermediate levels to execution levels as follows:

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

Proprietary Entry
None

1403 ACCOUNT CLOSING PROCEDURES

140301. Notification to Departmental Level

The departmental-level accounting entity must be informed by the intermediate levels of unallotted allocations of direct program authority to the installation level (account 4560, *Funds Available for Allotment*).

140302. Closing Procedures

After preparation of the prescribed budget execution reports, the following entries must be made, at the expiration of the period of availability for obligation, to close expended amounts to the authorizing account for the expenditures and to withdraw any remaining program authority.

A. The entries to close unissued allocations (unallotted and withheld) remaining at the intermediate level are as follows:

Budgetary Entry
Dr 4560 Funds Available for Allotment
Cr 4550 Internal Fund Distributions Received

Proprietary Entry
Dr 3101 Unexpended Appropriation – Appropriations Received
Cr 1010 Fund Balance With Treasury

B. The entries to close allotments made to the installation level are as follows:

Budgetary Entry
Dr 4570 Allotments Issued
Cr 4550 Internal Fund Distributions Received

Proprietary Entry
Dr 1010 Fund Balance With Treasury
Cr 3101 Unexpended Appropriation – Appropriations Received

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 June 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
150201.A.1	Clarified the definition of allotment and suballotment in accordance with the Office of Management and Budget (OMB) Circular No. A-11, Appendix H required definitions.	Update
150202.A	Modified the description of the results of recording a commitment for clarity.	Update
150202.C – E	Changed the sequence of the existing paragraphs for a more logical information flow.	Update
150204.A.2	Replaced the incorrect reference to private parties.	Update
150204.C.2	Corrected the reference to performing and ordering agency accounts that have different periods of availability to comply with the OMB Circular No. A-11; and added the chapter reference for Economy Act orders.	Update
150204.C.3 – 5	Added the chapter reference for project orders, non-Economy Act orders, and Defense Working Capital orders.	Add
150204.F	Added authoritative source/reference to the paragraph for the Special Defense Acquisition Fund.	Update
150205	Reorganized and modified subparagraphs to exclude references to specific programs.	Update
150206	Added this paragraph to identify references for specific programs previously included under borrowing authority.	Add
150304	Combined 150304 and 150305; and renumbered subsequent paragraphs.	Update
150305.E	Added reference to a related chapter.	Add
150307.C.2	Added reference to a related chapter within the paragraph.	Update
Various	Updated hyperlinks, corrected format/grammatical errors, and other administrative edits.	Update

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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; i.e., 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 covered in this chapter will frequently require a compound entry; i.e., entries that must be made in both the budgetary and proprietary (asset, liability, and equity) accounts. Except for 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. Current SFIS information can be accessed online through the Deputy Chief Management Officer SFIS web page. DoD definitions for accounts 4540 through 4580 are in Volume 1, Chapter 7, Figure 7-2, 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. Allotments are subdivisions of apportionments. An allotment distributes budget authority to an execution-level accounting entity. It authorizes the incurrence of obligations within a specified amount. Suballotments are subdivisions of allotments that 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.C) and are permissible for others. A commitment, when recorded in the accounting records, reduces the allotment's available fund balance. A commitment document must be signed by a person authorized to reserve funds; i.e., 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. 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.

D. 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.E). 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.

E. 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.

F. Outstanding commitments must be cancelled as of the end of the period that the appropriation is available for obligation. Commitments cannot exist 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. Delivered orders paid 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, and lessors; (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 additional guidance on policy requirements for reimbursements.

* 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. Volume 11A, Chapter 3 and Volume 11B, Chapter 3 contain the general statement of policy regarding work performed or material provided between DoD and other Federal agencies.

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 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, allotment, and allocation 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. For reimbursable customer orders between Federal Government entities where both the performing and ordering agencies are using multiple-year appropriation accounts, the agency accepting the order from a multiple-year appropriation accounts must record the obligational authority resulting from the order against its multiyear appropriation account with a like period of availability. If the performing and ordering agency accounts have different periods of availability, such as when a performing agency uses its 1-year Operations & Maintenance appropriation to fill an order funded by a customer's multiple-year appropriation account, such reimbursable customer orders and their related transactions must be applied in accordance with ***section 130.9*** of ***OMB Circular A-11***. For guidance on Economy Act orders, see Volume 11A, Chapter 3.

3. For additional guidance on project orders, i.e., between DoD entities, see Volume 11A, Chapter 2.

4. For general guidance on non-Economy Act orders, see Volume 11A, Chapter 18.

5. For additional guidance on orders placed with or through Defense Working Capital Fund activities, see Chapter 8, sections 0807 and 0808.

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 received and accepted with payment in advance. A compound entry is required to credit account 2310, *Liability for Advances and Prepayments*, and debit account 1010, *Fund Balance with Treasury*. Compound entries must be made to recognize advance payments in both the budgetary accounts and proprietary accounts.

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.

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).

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. See Volume 11A, Chapter 1 for information on reimbursement procedures and supporting documentation.

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 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 (SDAF). For SDAF information, see the Defense Security Cooperation Agency's ***Security Assistance Management Manual, section C.11.9***. 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. It 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.

B. 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.

C. 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.

D. The total acquisition cost of the property and the mortgage assumed must be in accordance with Volume 6A, Chapter 3.

*150206. Additional Guidance

A. For policy guidance and information on the Homeowners Assistance Program, see ***DoD Directive 4165.50E*** and ***Title 42, United States Code, Section 3374***.

B. For policy guidance and information on foreign military indebtedness, see Volume 6A, Chapter 12 and Volume 15, Chapter 5.

C. For policy guidance and information on the military housing privatization program, see Volume 2B, Chapter 6 and Volume 6A, Chapter 9.

1503 ACCOUNT ADJUSTMENTS

150301. Fiscal Year End Adjustments to 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, Chapter 3, and Volume 11A, Chapter 18, respectively). 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 cancelled as of the end of the period that an appropriation is available for obligation. Commitments are not allowed 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 Cancelled 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 and Closing

After completion of the adjustments, budget execution reports must be prepared as specified in Volume 6A, Chapter 4. After completion of the reports, close obligational and reimbursable authority.

150305. Expired and Cancelled 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 cancelled 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 cancelled, 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 cancelled appropriation, the total of all such payments by that current appropriation may not exceed the lesser of:

1. The unexpended balance of the cancelled 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 one 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 one 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 one percent limitation rule. That is, the one percent of the currently available appropriation amount will not be decreased by the charges made to current appropriations for contract changes.

* E. See Chapter 10 for additional guidance on expired and cancelled accounts.

150306. Expired Authority

A. Accounting. Expired authority is composed of (a) unobligated balances and (b) obligated but unliquidated balances remaining in appropriations that are no longer available for incurring new obligations. The balances are no longer 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.

150307. Cancelled 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 cancelled and, thereafter, must not be available for obligation or expenditure for any purpose. The obligational status of a cancelled 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 Cancelled Obligated and Unobligated Balances. Upon cancellation of an appropriation, the balance in account 4650, *Allotments-Expired Authority*, must be reclassified as cancelled authority and recorded to account 4350, *Cancelled Authority*. Expenditures from a current appropriation that are applicable to obligations incurred in a cancelled appropriation will reduce the balance in account 4350.

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 Cancelled 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 cancelled.

* 2. The total of payments from a current appropriation for obligations and payables of a cancelled appropriation cannot exceed the lesser of (1) the unexpended balance of the cancelled appropriation; (2) the unexpired unobligated balance of the currently available appropriation; or (3) one percent of the current appropriation being charged. Payables applicable to cancelled 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 cancelled. 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 exceed the one percent limitation, additional authority must be sought from the Congress. See Chapter 10 for additional guidance. It is important to note that the liability of a current account to pay an obligation of a cancelled account is recorded only in the proprietary accounts of the current account pursuant to the criteria described in this paragraph. 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 cancelled account that would have been available except for its cancellation.

VOLUME 3, CHAPTER 17: "ACCOUNTING REQUIREMENTS FOR MILITARY CONSTRUCTION PROJECTS"

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

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CHAPTER 17

ACCOUNTING REQUIREMENTS FOR MILITARY CONSTRUCTION PROJECTS

1701 GENERAL

170101. Purpose

This chapter identifies accounting requirement applicable to the acquisition and/or construction of real property. It addresses (A) costs to be charged to appropriations available for military construction (these costs are referred to as funded costs); (B) costs that, although financed by appropriations or funds other than those available for a specific construction project, are to be capitalized as part of the real property investment (these are referred to as unfunded costs); (C) preparation of accounting source documents required to support entries to real property accounts; (D) obligation and expenditure restrictions and limitations for military construction projects, and (E) various other related functions.

170102. Overview

A. Authorization Requirements

1. Each year an annual or biennial request for major construction projects and programs is submitted to the Congress. Requests presented are reviewed, adjusted, and approved through established command and staff channels, including the Office of the Secretary of Defense (OSD) and the Office of Management and Budget (OMB) before submission to the Congress for authorization. Guidance for submitting military construction projects for authorization is provided by the Assistant Secretary of Defense (Economic Security) in conjunction with the ODC (P/B).

2. Requests for authorization are confined to projects that reasonably can be expected to be executed within the fiscal year requested.

3. Authorization requests for major construction projects are supported by data on proposed physical capacity or other physical measurements, as well as data on estimated costs. Generally, the data for such projects shall be arranged by state and/or installation. These data shall be accompanied with comparative data on the existing real property inventory and projects expected to be subject to future authorization requests. Related data with respect to approved missions and proposed forces also should be provided. Programs also should be evaluated with respect to that portion of a project subject to request for immediate authorization and that portion deferred for future authorization requests.

B. Appropriation Requirements

1. Appropriation requests in support of all new military construction projects are submitted to the Congress annually or biennially, as required. Military construction appropriations generally are available for obligation for five fiscal years. Such appropriation

requests are consistent with existing authorizations, authorization requests, or other requests for funds, as applicable, and include specific budget estimates for those projects for which legislative authorization has been, or is being, requested.

2. Individual projects must be authorized and appropriated in consonance with Title 10, United States Code, sections 2821, 2822, 2824 and 2825.

3. Consistent with congressional authorization and the reprogramming criteria provided in Chapter 7, and within total amounts appropriated in each annual appropriation act, adjustments may be made as necessary to finance to completion the cost of (a) projects previously approved and started, (b) projects expected to be started during the current fiscal year, and (c) other project costs that represent valid unfinanced requirements for the budget year. Amounts previously appropriated in excess of the cost of performance may be reprogrammed to support the completion of other projects.

4. Individual projects cited as a source of funds for reprogramming shall be limited to the new total cost included in the estimate given to the Congress.

C. Planning and Design

1. Planning and design functions are efforts necessary to develop preliminary project cost estimates.

2. Title 10, United States Code, section 2807 authorizes the Secretary of the Military Department concerned to perform planning and design efforts for military construction or land acquisition projects. Such efforts, to the extent accomplished within amounts otherwise appropriated, may be accomplished without specific congressional authorization for the project involved. For projects where the estimated design costs exceed the amount established in 10 U.S.C. 2807, the Secretary of a Military Department shall notify the appropriate committees of the Congress not less than 21 days before the initial obligation of funds for such services. This provision applies only to the Military Service active components. There is no requirement for the Reserve Components to notify the committees at any design cost threshold.

3. Functions that may be performed under the authority of planning and design are as follows:

a. Architectural and engineering services and construction design required for site investigation, survey, mapping, or sketches.

b. Preparation of cost estimates for construction and land acquisition projects.

c. Preparation of plans, specifications, special studies, including value engineering, and construction contract documents.

d. Construction management of projects that are funded by foreign governments for which elements of the Armed Forces of the United States are the primary user.

e. Development and updating of design criteria and manuals.

f. Preparation of standard designs and definitive drawings used on military construction projects.

g. Management of military construction program design and contract administrative services for design.

h. Certification of project cost.

i. Administration of architectural and engineering service contracts for the design of construction and land acquisition projects.

j. Printing and reproduction of bid documents, preparing pre-bid government estimates and liaison with prospective bidders prior to award of a construction contract.

D. Major Construction

1. Major military construction projects include all acquisition and/or construction, additions, expansions, extensions, conversions, alterations, or replacements of (a) facilities with costs in excess of the amount specified by law as the maximum amount for a minor construction project or (b) any project, regardless of cost, approved as a specific line item in the Military Construction budget request. Costs of a major construction project should include the following:

a. Surveys, demolition and site preparation.

b. Acquisition, conversion, rehabilitation, and installation of facilities.

c. Acquisition and installation of equipment and appurtenances integral to the project.

d. Acquisition and installation of supporting facilities (including utilities) and appurtenances incident to the project.

e. Supervision, administration, and overhead incident to the project.

f. Design and support of design for construction projects after construction award (includes change orders, value engineering proposals, and as-built drawings).

2. Specifically excluded from major construction are those costs identified as minor construction, planning and design, or supporting activities. Efforts financed by other than military construction appropriations are discussed in section 1703, below.

E. Emergency Construction

1. The Secretaries of the Military Departments and Directors of Defense Agencies may carry out a major construction project under the authority of 10 U.S.C. 2803, after appropriate congressional notification. Additional guidance is contained in DoD Directive 4270.36, "DoD Emergency, Contingency, and Other Unprogrammed Construction." Emergency construction is limited to those projects where it is determined that:

a. The project is vital to national security, protection of health and safety, or quality of the environment.

b. The requirement for the project is so urgent that deferral of the project for inclusion in the next Military Construction Authorization Act would be inconsistent with national security, protection of health and safety, or quality of the environment.

2. When a decision is made to request approval for an emergency construction project, the DoD Component concerned shall submit a notification and request for reprogramming of military construction funds in accordance with the provisions of 10 U.S.C. 2803 and Chapter 7. Each reprogramming request shall include the following:

a. Justification for, and the current estimate of, the cost of the project.

b. Justification for carrying out the project as an emergency construction project.

c. A statement as to the source of funds to be used for the project.

3. Emergency construction projects shall be financed within amounts appropriated for military construction that have not been obligated for other purposes. The maximum amount that may be obligated by each Military Department in any fiscal year is established in 10 U.S.C. 2803.

4. Actual construction shall not commence prior to the receipt of appropriate DoD and congressional approval.

5. Except as otherwise specifically provided for, emergency construction projects shall be subject to the same restrictions and limitations as major construction projects. Additionally, the identification and treatment of costs for emergency construction projects shall be consistent with that for major construction projects.

6. There is no provision for emergency construction for the Reserve Components.

F. Contingency Construction

1. Title 10, United States Code, section 2804 and the annual Military Construction Appropriation Acts contain authority that authorized projects of an urgent nature to be funded from the Contingency Construction Account. Such efforts, to the extent accomplished within amounts appropriated for such purposes, may be accomplished without specific congressional authorization for the project involved. Use of this authority requires approval by the Secretary of Defense and written notification to the appropriate committees of Congress. In addition, there is a statutory waiting period of 21 days following congressional notification before funds may be obligated for any project approved under this authority.

2. A project financed under this authority requires a determination that deferral of the project for inclusion in the next Military Construction Authorization Act would be inconsistent with national security or national interest. Additional guidance is contained in DoD Directive 4270.36.

3. When a decision is made to request approval for a contingency construction project, the DoD Component concerned shall submit a notification and request for reprogramming of military construction funds in accordance with the provisions of 10 U.S.C. 2804 and Chapter 7. Each reprogramming request shall include the following:

a. Justification for, and the current estimate of, the cost of the project.

b. Justification for carrying out the project as a contingency construction project.

c. A statement as to the source of funds to be used for the project.

4. Actual construction shall not commence prior to the receipt of appropriate DoD and congressional approval.

G. Environmental Response Actions

1. Title 10, United States Code, section 2810 contains authority that authorizes the Secretary of Defense to carry out constructions projects for environmental response actions. Such efforts may be accomplished without specific congressional

authorization for the project involved. Use of this authority requires approval by the Secretary of Defense and written notification to the appropriate committees of Congress. In addition, there is a statutory waiting period of 21 days following congressional notification before funds may be obligated for any project approved under this authority.

2. When a decision is made to request approval for an environmental response action construction project, the applicable DoD Component concerned shall submit a request for reprogramming of military construction funds in accordance with the provisions of 10 U.S.C. 2810 and Chapter 7. Each reprogramming request shall include:

a. Justification for, and the current estimate of, the cost of the project.

b. A statement as to the source of funds to be used for the project.

H. Construction in the Event of a Declaration of War or National Emergency

1. Title 10, United States Code, section 2808 contains authority that authorizes the Secretary of Defense to undertake military construction projects, without regard to any other provision of law, in the event of a declaration of war or the declaration by the President of a national emergency that requires use of the Armed Forces of the United States.

2. Such projects may be undertaken only within the total amount of funds that have been appropriated for military construction, including funds appropriated for family housing, that have not been obligated. (This authority shall terminate at the end of the war or national emergency). Use of this authority requires the Secretary of Defense to notify the appropriate committees of Congress. Additional guidance is contained in DoD Directive 4270.36.

I. Minor Construction

1. Projects that involve the acquisition (except land), new construction, addition, expansion, extension, alteration, conversion, replacement, or installation of permanent or temporary facilities (except family quarters) are considered to be minor construction projects when (a) the cost of the project does not exceed such amount as may be specified by 10 U.S.C. 2805 for the Active Components and 10 U.S.C. 18233a for the Reserve Components and (b) the project has not been included in the budget request as a specific line item.

2. When a minor construction project costing more than amounts established in 10 U.S.C. 18233a is undertaken, appropriate congressional committees shall be notified prior to the start of the project. The project then may be carried out only after the end of the 21 day period beginning on the day the notification is received by the committees, or after each such committee approves the project, if the committees approve the project before the end

of the 21 day period. Funds cannot be obligated for construction until committee approval is obtained.

3. Title 10, United States Code, section 2805 contains authority that authorizes the Secretary of Defense to carry out minor constructions projects within an amount equal to 125 percent of the amount authorized by law for such purposes without specific congressional authorization, except as provided in 10 U.S.C. 2805(a)(2). Use of this authority requires written notification to the appropriate committees of Congress and a statutory waiting period of 21 days following congressional notification before funds may be obligated for any project approved under this authority.

4. Planning and design costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C. 2805 for minor construction projects; however, design costs are not excluded from capitalization.

5. Each project accomplished under the minor construction authority must result in a complete real property facility or improvement. Further, each project must, to the maximum extent possible, be consistent with the appropriate installation master plan. Requests for project approval must fully disclose the relation of the project to the master plan and must detail further planned construction to the same or closely related facilities.

6. DoD Components are precluded from using materials, supplies, or items of installed capital equipment on their own minor construction projects on a nonreimbursable basis.

7. Prerequisites for establishing a minor construction project include identification of the required end result of the project and its correlation with the appropriate installation master plan.

8. It is not feasible to prescribe absolute criteria for determining what scope of work would, under all possible circumstances, properly constitute a separate minor construction project. However, minor construction projects undertaken under the authority of 10 U.S.C. 2805 must be consistent with the intent of the statute as to what constitutes a separate project.

9. The planned acquisition of, or improvement to, a real property facility through a series of minor construction projects; that is, incremental-type construction is prohibited.

Notwithstanding any other provisions for approval of minor construction projects, no project may be proposed to be accomplished under minor construction authority that previously has been deleted by the Congress from proposed military construction authorization legislation or otherwise disapproved of by the Congress.

J. Restoration or Replacement of Damaged or Destroyed Facilities

1. The Secretaries of the Military Departments, with the approval of the Secretary of Defense, may request congressional approval to repair, restore or replace a facility that has been damaged or destroyed for which legislative authorization and appropriation has not been provided.

2. Title 10, United States Code, section 2854 requires that Congress be notified in writing when the cost of a project is greater than the amount specified in 10 U.S.C. 2805 for minor construction.

3. When a decision is made to request approval for restoration or replacement of damaged or destroyed facilities, the applicable DoD Component concerned shall submit a request for reprogramming of military construction funds in accordance with the provisions of 10 U.S.C. 2854 and Chapter 7. Each reprogramming request shall include:

a. Justification for, and the current estimate of, the cost of the project.

b. A statement as to the source of funds to be used for the project.

4. Restoration or replacement projects shall be financed within amounts appropriated for military construction that have not been obligated for other purposes.

5. Actual construction shall not commence prior to the receipt of appropriate DoD and congressional approval.

K. Supporting Activities

1. Funding for supporting activities provides for access roads under authorization contained in 23 U.S.C. 210. Access roads may be required in conjunction with construction, expansion, improvement, replacement, or relocation of DoD facilities.

2. Highways located within the boundaries of a military reservation are not eligible for financing from these funds. Such highways shall be funded from major construction, emergency construction, or minor construction programs, as applicable. Additionally, projects in the regular Federal Air Primary Systems normally are not considered eligible for financing with these funds.

3. Funds available for Defense access roads can be provided to the Department of Transportation (DoT) via a Standard Form (SF) 1151, “Nonexpenditure Transfer Authorization” nonexpenditure cash transfer or the effort may be carried out by DoT on a reimbursable basis.

L. Scope of a Military Construction Project

1. All acquisitions of land, regardless of cost, may be considered to be a military construction project. Submit all requests for purchase, withdrawal from public domain, lease or permit from individuals or government entities, or any other type of use agreement involving more than 1,000 acres, or land whose estimated purchase price or annual lease price exceeds $1 million to the Deputy Secretary of Defense through the Deputy Assistant Secretary of Defense (Installations). Title 10, United States Code, section 2673 also authorizes use of Operation and Maintenance funds for land acquisition as defined in 10 U.S.C. 2672.

2. A military construction project includes all construction efforts, or any contribution authorized by law, necessary to produce a complete and usable facility or a complete and usable improvement to an existing facility or improvement as specifically authorized by law.

3. Military construction project funding includes equipment installed in and made a part of real property structures or improvements. Construction project funding excludes all production and movable equipment. The source and cost of all production and movable equipment directly associated with construction projects shall be disclosed as additional information in presenting construction programs and budgets.

4. Construction applicable to one real property facility:

a. All construction proposed for a real property facility in which the same functional purpose or related functional purposes involved will be treated as one project.

b. All concurrent construction proposed for contiguous areas of a multi-use facility shall be treated as a single project even though the construction pertains to unrelated functional purposes. For this purpose, contiguous means “in actual contact” or “touching.”

c. All construction proposed for a multi-use facility that is common to the facility as a whole, or common to areas in which the same or related functional purposes are performed, shall be treated as a single project.

d. Construction proposed for a multi-use facility may be divided into separate projects provided that each project can be clearly defined and the result is a complete and usable facility.

5. When construction is accomplished concurrent with repair and/or maintenance work as an integrated undertaking, the construction may be treated as a separate project. If the construction is treated as a separate project, cost limitations, notification, and other requirements associated with applicable construction projects apply. For this purpose, engineering estimates may be used to determine costs applicable to the construction portion.

6. A decision as to whether one or more projects are to be established for related efforts relating to subparagraph 170102.L.5, above, shall be submitted for approval to the Secretary of the cognizant Military Department.

1702 EFFORTS TO BE FINANCED BY MILITARY CONSTRUCTION APPROPRIATIONS

170201. Total Costs

All costs of the military construction program are financed from appropriations available for that purpose. These costs include design, major construction projects, supporting construction functions, construction overhead, and projects authorized in the United States Code for funding by appropriations available for military construction. Unfunded costs that are capitalized, but financed by appropriations other than those available for military construction, are addressed in section 1703, below.

170202. Military Construction Appropriation

For other than family housing projects, the military construction appropriation shall be used when the cost of a minor construction project is greater than the amount established in Title 10, United States Code, section 2805.

170203. Funded Project Costs

Except as prescribed in section 1703, below, major construction costs incurred during the design and construction phases are funded from applicable military construction appropriations. These costs include, but are not necessarily limited to, the following:

A. All materials, supplies, and services applicable to the project.

B. All items of installed capital equipment.

C. Transportation costs applicable to materials, supplies, installed capital type equipment, and government-owned equipment.

D. Labor costs, including construction units composed of foreign nationals but excluding U.S. military labor.

E. That portion of installation overhead or support costs that can be identified as representing additional costs that would not have been incurred were it not for the project.

F. Supervision, inspection and overhead costs charged by the U.S. Army Corps of Engineers and the Naval Facilities Engineering Command when serving as the design and/or construction agent.

G. Travel and per diem related to applicable military or civilian labor.

H. That portion of costs applicable to the operation and maintenance of Government-owned equipment shall be computed on an hourly rate in accordance with guidance in Chapter 1, Volume 11A.

170204. Overhead Expenses

All overhead expenses for the military construction program, including work for others, initially are financed from the performing military construction appropriation. These expenses are distributed to projects, including work for others. Military construction overhead includes the following efforts:

A. Personal services (and support costs) at field and headquarters activities related to the military construction program.

B. Contract administration.

C. Military construction program and project management (including post construction evaluation).

D. Technical direction and coordination of projects.

E. Land planning studies or reports, appraisal, and title search after congressional authorization of a land acquisition or exchange.

F. Project management and administration not otherwise identified above.

170205. Reimbursable Project Costs

The appropriation or fund financing a construction project shall reimburse other appropriations or funds, as applicable, for costs initially financed by another appropriation or fund. Reimbursement between appropriations shall be made by use of an SF 1080, "Voucher for Transfers Between Appropriations and/or Funds," on a "no-check" basis.

1703 EFFORTS FINANCED BY OTHER THAN MILITARY CONSTRUCTION APPROPRIATIONS

170301. Unfunded Costs

Some efforts in support of military construction are identified as unfunded costs. However, such costs must be capitalized as part of the value of the property. Unfunded costs are those that (a) contribute to a military construction project, (b) are financed from appropriations other than military construction, and (c) are not reimbursed by appropriations available for military construction. Unfunded costs are capitalized as part of the real property investment and include the following:

A. Costs financed from military personnel appropriations.

B. Costs applicable to the depreciation of government-owned equipment shall be computed on an hourly rate in accordance with guidance in Chapter 1, Volume 11A.

C. Materials, supplies, and items of installed capital equipment that have been obtained specifically for a project on a nonreimbursable basis, either as excess distributions from another DoD Component or as excess distributions from other Federal agencies. A DoD Component is precluded from using materials, supplies, or items of installed capital type equipment on its own minor construction projects on a nonreimbursable basis.

D. Unfunded civilian fringe benefit rates for DoD civilian personnel as prescribed in Chapter 6, Appendix C, "Civilian Personnel Fringe Benefit," Volume 11A.

E. Gifts from private parties.

170302. Minor Construction Projects

Planning and design costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C. 2805 for minor construction projects.

170303. Financing Appropriations

For other than family housing facilities, when the cost of a project is less than the amount specified in 10 U.S.C. 2805, the project shall be financed from applicable Operation and Maintenance (O&M) appropriations; Research, Development, Test and Evaluation (RDT&E) appropriations; or working capital fund resources, as appropriate.

170304. Items of Equipment

Items of equipment that are movable in nature and not affixed as an integral part of a facility shall be financed from applicable O&M appropriations; RDT&E appropriations; procurement appropriations; or working capital fund resources, as appropriate. This equipment includes all types of production, processing, technical, training, servicing, RDT&E, and pre-wired work stations.

170305. Operational Equipment

Any operational equipment for which installation mountings and connections are provided in the building design, and that are detachable without damage to the building or equipment, shall be financed from applicable O&M appropriations; RDT&E appropriations; procurement appropriations; or working capital fund resources, as appropriate.

170306. Alternations to Movable Equipment

The costs of alterations to install movable equipment that is not affixed as an integral part of a facility shall be financed from applicable O&M appropriations; RDT&E appropriations; procurement appropriations; or working capital fund resources, as appropriate.

170307. Installation or Relocation Items

The following examples of installation or relocation items should be financed from applicable O&M appropriations; RDT&E appropriations; procurement appropriations; or working capital fund resources, as appropriate:

A. Prefabricated screens, partitions, false floors, platforms, and shielding for electromagnetic radiating services.

B. Temporary removal and reinstallation or portions of existing walls, roofs, utility systems, and appurtenances to permit installation of equipment.

C. Secondary utility work necessary to connect equipment to existing utilities services within a facility between the primary entry or source of utilities into the structure and the equipment to be served.

170308. Advance Planning

Advance planning costs should be financed through the O&M accounts and expensed in the period incurred. Working capital funds will finance advance planning costs through its operating account and expense these costs in the period incurred. (See Volume 11B). Advance planning is not encompassed by, and should not be performed under, the authority of military construction project planning and design efforts. Advance planning costs are not to be included in determining compliance with the amounts established in 10 U.S.C. 2805 for minor construction projects. The following are examples of advance planning functions:

A. Developing the requirements for a military construction project (project formulation).

B. Developing a master plan for an installation.

C. Initial explorations of project alternatives and rough drawings.

D. Facilities related management studies.

E. Conceptual analysis.

E. Making alternative site studies.

F. Developing and validating military construction project documentation prior to commencing project design.

G. Preparing engineering analyses and studies to develop technical design parameters prior to commencing project design.

H. Preparing environmental impact assessments and statements.

170309. Family Housing

All family housing construction projects shall be funded from applicable family housing appropriations. Guidance concerning funding of family housing efforts is addressed in Chapter 6, "Military Construction/Family Housing Appropriations," Volume 2.

170310. Projects for Pollution Abatement, Energy Conservation and Occupational Safety and Health Activities

Projects for pollution abatement, energy conservation, and occupational safety and health activities may be funded from other than the military construction appropriation when the cost of a project:

A. Is funded from the proceeds of sales of recyclable material in accordance with Chapter 5, "Disposition of Proceeds From DoD Sales of Surplus Personal Property," Volume 11A, and 10 U.S.C. 2577.

B. Does not exceed 50 percent of the amount established by law as a maximum amount for minor construction projects in accordance with 10 U.S.C. 2577.

1704 AUTHORIZATION, APPROPRIATION, OBLIGATION, AND EXPENDITURE RESTRICTIONS

170401. Program Restrictions

A. Specific authorization shall be required for work to be performed under major construction programs unless the project is carried out under one of the authorities provided by Title 10, United States Code, sections 18233a, 2803, 2804, 2805, 2808, 2810, or 2854--or other authorities--to carry out a project not otherwise specifically authorized.

B. Each Act of Congress that provides authorization for work to be performed under major construction programs generally contains a limitation on total costs for work to be undertaken for each installation as a whole, for emergency construction work on a Department-wide basis and, in some cases for a type or category of construction. In certain circumstances, overruns, within stated percentages, may be authorized with respect to individual cost limitations, provided the total amount authorized for any appropriation is not exceeded.

170402. Obligation and Expenditure Restrictions

A. Appropriated funds authorized for obligation are subject to DoD Directive 7200.1 and the Antideficiency Act provisions addressed in Volume 14. An adequate system of funds control shall be established in accordance with Volume 14. These controls shall be designed to ensure that individual projects are being carried out consistent with authorized purposes and within authorized and available funds.

B. Absent a specific provision of law, the cost estimate for each project approved by the Congress is not a separate statutory cost limitation. Major physical or financial changes in individual projects previously approved shall be reported in advance to the House and Senate Appropriations Committees and the House National Security and Senate Armed Services Committees for their approval after proper clearance within the Department and the OMB.

C. Limitations shall be at the project level for major construction and budget activity for minor construction, planning and design, etc.

D. DoD Components have limited authority to realign resources between projects consistent with Chapter 6, Volume 2.

E. Requests for apportionment of appropriated funds shall be based on estimates contained in applicable approved operating budgets.

F. Within each Military Department, funding authorizations to incur obligations shall be made by means of subdivisions of appropriated funds to operating agencies and operating units responsible for construction. Such funding authorizations shall be less than or equal to total obligation requirements for the respective approved operating budgets.

G. There shall be only one allocation of funds from the construction appropriation to any operating agency and only one allotment of funds from any such allocation to each operating unit. Each allocation or allotment should carry with it only such additional obligation limitations as may be established by the OMB or the Secretary of Defense, or as otherwise required by the Congress or the President. Separate limitations imposed on total costs by congressional authorizations and by administrative action must be observed at every level in connection with budgetary and funding actions as well as in program execution.

H. When a Military Department performs construction work or services for another DoD Component, or another Federal agency, such work or services shall be performed on a reimbursable basis pursuant to the orders received by the performing Military Department's construction appropriation. There is one exception: The Department of the Army (U.S. Army Corps of Engineers) and the Department of the Navy (Naval Facilities Engineering Command) may perform work or services for the Department of the Air Force and the Federal Emergency Management Agency under allocations or allotments. The performance of work under Air Force and Federal Emergency Management Agency allocations or allotments shall be in accordance with procedures applicable to the performance of construction programs of the Department of the Army or Department of the Navy, as appropriate. Transfer appropriation accounts shall not be

established for any such work, nor shall there be advances of funds to finance orders given for work or services. No work or services shall be performed under a direct "citation of funds" (that is, direct charge by the performing unit and or activity to the funds of the ordering unit and or activity).

I. The following policies shall be followed with respect to the performance of all work or services on a reimbursable basis under a construction appropriation:

1. Reimbursements earned are an additional source of obligational authority under the appropriate budget program account. For purposes of establishing obligational authority, such reimbursements may be anticipated for orders received. Cost limitations for the performance of work shall be observed pursuant to the terms of the orders received. Operating budgets shall include estimates of reimbursable orders received or anticipated.

2. Reimbursements are to be budgeted and their use controlled at the Military Department level where management and control of a program is retained. In these cases, allocations and allotments of funds shall be expressed in terms of total obligational authority in operating budgets of the respective operating agencies and operating units responsible for carrying out the program.

J. Title 10, United States Code, sections 4540, 7212 and 9540 limit the amount of obligations that can be incurred on the production and delivery of design, plans, drawings and specifications for any public works or utilities project to not more than six percent of the estimated cost of the project. The 6 percent threshold does not include costs associated with activities such as design reviews, advertisements, preparation of invitations for bids, requests for proposals, land survey, soils and/or other investigations and model studies, determination of program or project requirements, design development criteria, environmental impact statements and supporting data, or travel and per diem.

170403. Certifications of Costs

A. Certifications of costs incurred shall be prepared in accordance with the format shown in Appendix A. These certifications shall include statements of total cost incurred on the project, the funded portion of total costs, the unfunded portion of total costs, and a statement that funded costs incurred do not exceed authorized amounts. In connection with the statement of total costs and funded costs, authorized amounts shall also be disclosed. Such disclosure shall indicate the approving authority.

B. The certification shall be prepared within 60 days after physical completion of the project and shall be signed by the installation commander, the responsible engineering official (e.g., post engineer, civil engineer, or public works officer), and the responsible fiscal official.

C. A copy of the certification shall be retained in a project file at each level that maintains project files.

1705 DOCUMENTATION STANDARDS

170501. Project Files

Project files shall be maintained for each construction project. These project files shall represent a complete historical record of the project from inception to completion. Correspondence and other documentation pertinent to the project shall be incorporated into project files at all appropriate levels. Construction agents are responsible for holding the historical project files. These files may include memorandums for record pertaining to decisions resulting from discussions, meetings, and telephone conversations.

170502. Acceptance of Real Property

The acceptance of real property by a user organization, as well as the transfer between DoD Components, or to or from other Federal agencies, must be documented. The Transfer and Acceptance of Military Real Property format shown in Appendix B shall be used as a basic source document for transferring the value of a military construction project to the installation's real property records. In addition, the format shall be prepared at the point amounts are transferred from Construction in Progress accounts to the applicable asset account (e.g., Building). This will provide an audit trail for the recording of the capitalized assets in the applicable property accounts. A locally developed installation format may be used in lieu of the format in Appendix B, if it contains essentially the same information.

170503. Classification of Amounts for Accounting Purposes

A. Within each construction appropriation, there should be only one account structure for classifying costs for the joint purposes of planning, programming, budgeting and accounting (including reporting). Similarly, within each construction appropriation, there should be a single uniform classification of accounts for the purpose of summarizing costs and obligations in budgets, accounting for costs and reporting these costs. The management of an activity performing a construction project is responsible for ensuring that all significant costs (that is, both funded and unfunded costs) are recorded for the project and that all costs subject to capitalization are included in the real property asset accounts, property records, and reports submitted to the OSD and the Congress.

B. The OMB and the Treasury Department have mandated use of a standard general ledger chart of accounts. The DoD Standard General Ledger is identified in Chapter 7, Volume 1. Use of these DoD accounts is required in order to classify costs for the joint purposes of planning, programming, budgeting, and accounting for construction projects. All organizational levels incurring any significant level of costs shall use the Standard General Ledger to accumulate the cost of performance of construction projects and programs.

C. Cost accounting modules for accumulating and controlling construction projects shall be integrated with an activity’s overall accounting system. Cost accounting systems represent a subsidiary ledger of the general accounting system. Therefore, cost

accounts, as appropriate, shall be established for each project. Cost identification and cost finding are prescribed in Chapters 19 and 22, Volume 4.

D. Charges to an account shall be categorized in one of the four construction phases addressed in Appendix C to this chapter. The four phases addressed in Appendix C identify those costs that will be expensed and those costs that will be capitalized.

E. Amounts to be Expensed

(1) Costs incurred in the advance planning (discussed in subsection 170308, above), programming and budgeting phases shall be expensed in the period incurred.

(2) When a project is abandoned, the total cost incurred shall be expensed consistent with guidance contained in Chapter 6, Volume 4.

(3) The basic expense accounts that should be used to subdivide a project and the use of these accounts may be found in Chapter 17, Volume 4.

F. Amounts to be Capitalized

(1) Capitalization is a concept while recognizes that the total costs incurred in a construction project are to be shown as an asset. Capitalization applies to those projects for which actual costs and expected useful life meet the criteria specified in Chapters 1 and 6, Volume 4.

(2) All significant costs related to the construction or acquisition of an asset, including unfunded costs addressed in section 1703, above, shall be recognized in capitalizing the costs of a project.

(3) The cost of efforts associated with the design, construction contracting, and construction phases of a project shall be capitalized.

(4) Direct costs incurred in the design and construction phases of a project shall be charged to a specific project. Other costs (listed in subsection 170204, above) that are financed by military construction and subject to capitalization shall be identified to the appropriate indirect cost groups for subsequent allocation to supervision, inspection and overhead cost pools.

170504. Financial Reports

A. Accounting records at every level shall be designed to permit summarization of financial transactions that produce accurate and timely information from one system of accounts. Data produced shall be in formats required for preparation of prescribed budget and financial reports and for such other day-to-day management data as may be required in executing financial oversight. In addition, records and costs must be designed and maintained so as to facilitate audits of project amounts.

B. Each military construction appropriation account shall be reported monthly in the Report of Appropriation Status by Fiscal Year Program and Subaccounts, AR (M) 1002. The report shall be prepared as prescribed in Chapter 4, Volume 6.

170505. Specific Entries

Construction In Progress accounts in the general ledger account 1720 series will be used to accumulate and control costs as prescribed in Chapter 6, Volume 4. Construction in Progress accounts may be subdivided as necessary to accumulate and control costs. Chapter 15 prescribes the budgetary general ledger accounts to be used in recording military construction budget execution transactions. The illustrative entries below are to supplement the entries in Chapter 6, Volume 4, and Chapter 15.

A. Dr 4611 Uncommitted/Unobligated Allotments - Direct Program - Current Period
Cr 4710 Outstanding Commitments - Direct Program

To record commitments when the direct program is used.

B. Dr 4710 Outstanding Commitments - Direct Program
Cr 4810 Undelivered Orders - Direct Program

To record the award of a military construction contract.

C. Dr 4810 Undelivered Orders - Direct Program
Cr 4910 Accrued Expenditures - Unpaid - Direct Program

Dr 1722 Construction in Progress - Contractor
Cr 2113 Accounts Payable - Public - Current

To record the receipt of a contractor's invoice for work performed.

D. Dr 4910 Accrued Expenditures - Unpaid - Direct Program
Cr 4930 Accrued Expenditures - Paid - Direct Program

Dr 2113 Accounts Payable - Public - Current
Cr 1012 Funds Disbursed

To record the payment of a contractor's invoice (assumes no contract holdback requirement).

E. Dr 1730 Buildings
Cr 1722 Construction in Progress - Contractors

To record the transfer from the Construction in Progress accounts to the Building account upon completion of the project.

APPENDIX A

EXAMPLE - CERTIFICATION OF COST INCURRED

(Minor Construction Projects Undertaken Under Authority of 10 U.S.C. 2805)

Military Department or Defense Agency: _____

Installation: _____

Project Description and Identification: _____

_____

1. Approved and actual cost were as follows:

	Approved * Costs	Actual Costs
Funded Costs		
Unfunded Costs		
Total Costs		

* The project was approved by (approving authority)

2. Funded costs do not exceed the limitations of 10 U.S.C. 2674 or any other legislative or administrative limitations.

I certify that, to the best of my information and belief, the above statements are true. I further certify that, in the discharge of my official duties, I have taken every reasonable action to verify and assure the accuracy of these statements.

(Date) (Installation or Base Commander) (Signature)
Name, Rank, Position

(Date) (Responsible Engineering Official) (Signature)
Name, Rank, Position

(Date) (Responsible Fiscal Official) (Signature)
Name, Rank, Position

NOTE: To be completed within 60 days after completion of project or, in the event of a contract dispute, as soon as such dispute is settled.

APPENDIX B

TRANSFER AND ACCEPTANCE OF MILITARY REAL PROPERTY

TRANSFER AND ACCEPTANCE OF MILITARY REAL PROPERTY							PAGE_____OF_____ PAGES
1. FROM (Installation/Activity/Service & Zip Code)	2. OPERATING UNIT	3. DISTRICT CODE	4. OPERATING AGENCY	5. DATE	6. JOB NUMBER	7. SERIAL NUMBER	8. CONTRACT NUMBER
9. TO (Installation/Activity/Service & Zip Code)	10. OPERATING UNIT	11. DISTRICT CODE	12. OPERATING AGENCY	13. ACCTG. NUMBER	14. ACCTG. OFFICE NUMBER	15. TYPE OF TRANSACTION A. _____ B. _____	16. PROJECT NUMBER

ITEM NO. 17	CATEGORY CODE 18	FACILITY 19	NO. OF UNITS 20	TYPE 21	UNIT OF MEAS. 22	TOTAL QUANTITY 23	COST 24	DRAWING NUMBERS 25	REMARKS 26

27. STATEMENT OF COMPLETION: The facilities listed hereon are in accordance with maps, drawings, and specifications and change orders approved by the authorized representative of the using agency except for the deficiencies listed on the attached.			
TRANSFERRED BY (Signature)	DATE:	28. ACCEPTED BY (Signature)	DATE
TITLE (Area Engr./Base Engr./DPWO)		TITLE (Area Engr./Base Engr./DPWO)	29. PROPERTY VOUCHER NUMBER

APPENDIX B

TRANSFER AND ACCEPTANCE OF MILITARY REAL PROPERTY

This exhibit sets forth the essential information required for the transfer and acceptance of military real property and should be completed to support entries into the real property accounts.

A. GENERAL INFORMATION ON THE TRANSFER AND ACCEPTANCE FORMAT

1. The page number and the total number of pages comprising each transfer transaction shall be shown in the space provided at the top right-hand part of the format.

2. When two or more pages are required, items 27 through 29 shall be completed only on the final page. In such cases, the bottom portion of the format (blocks 27 through 29) shall be excluded from each page except the final page.

B. PROCEDURES FOR COMPLETING THE TRANSFER AND ACCEPTANCE FORM

ITEM 1 Self-explanatory

ITEM 2 To be assigned in accordance with DoD Component implementation.

ITEM 3 Identify Intermediate Command, as necessary.

ITEM 4 Primarily for Navy use.

ITEM 5 Enter the date the transfer and acceptance document is prepared.

ITEM 6 For Army use, enter appropriate Army job and directive number. For Air Force use, enter base job number, as appropriate, when form is used for transfer within the Air Force.

ITEM 7 For Army use, or for transfer of construction to the Air Force, identify the fiscal year, and sequence number for each installation to which real property is being transferred; for example, for FY 1988, show 88-1, 88-2, etc. For the Navy, the serial number shall be assigned by the area or district public works office and shall represent the numerical sequence of submissions by respective contract number.

ITEM 8 Insert appropriate contract number.

ITEM 9 Self-explanatory.

ITEM 10-12 Same as instructions for Items 2, 3 and 4. To be used by the gaining activity. (Not applicable for Air Force use.)

ITEM 13 For Navy use only. Insert the accounting number assigned to, or used by, the activity in Item 9.

ITEM 14 For Navy use only. Insert the accounting number assigned to the activity performing the official property accounting for the activity shown in item 9.

ITEM 15A Indicate whether the transfer is new construction, existing facilities, capital improvements to existing facilities, other. Additional remarks should be entered on a separate schedule if "other" is specified.

ITEM 15B Indicate whether transfer is being made at time of beneficial occupancy, physical completion, financial completion (with respect to new construction), or "other." Additional remarks should be entered on a separate schedule if "other" is specified.

ITEM 16 Enter the code number assigned to identify the project with the statutory authority appropriate for the construction.

ITEM 17 A separate item number will be assigned for each category code. Item numbers will be shown in column 17 and assigned sequentially starting with the number one.

ITEM 18-19 Enter the category code and description that appropriately describes the primary use for which the facility (building, structure, utility) is designed. Not more than one category code (Item 18) will be listed per line item (Item 17). Category codes and descriptions should be consistent with DoD Instruction 4165.3, "Department of Defense Facility Classes and Construction Categories," and enclosure 1 to DoD Instruction 4165.14, "Inventory of Military Real Property."

ITEM 20 Show number of units in terms of buildings or other structures.

ITEM 21 Enter the type of construction; use "P" for permanent, "S" for semipermanent, or "T" for temporary, as appropriate.

ITEM 22 Enter the unit of measure. Abbreviate such as "M2" for square feet, etc.

ITEM 23 Enter total quantity for measure identified in Item 22.

ITEM 24 Indicate cost for each item number, category code, and description. When a document includes some estimates, annotate each cost figure with an alphabetical suffix of "P" for preliminary or "F" for final.

ITEM 25-29 Self-explanatory.

APPENDIX C

PHASES OF MILITARY CONSTRUCTION

A. Congressional authorization of major construction projects typically represents the culmination of planning, programming, and budgeting efforts. A project evolves from a determination that additional facilities are needed. The need is defined, given a priority ranking, and placed in competition with other projects for available resources. The project definition effort begins at the installation level and moves through the chain of command until the project ultimately is included in the budget submittal. Attachment 1 to this appendix, "Evolution of a FY 1995 Military Construction Project," depicts the life-cycle of a military construction project and shows that the process of acquiring a military facility could take 3 to 7 years from conception to completion. The actual design phase could take 1 to 2 1/2 years, while the construction phase could take 1 to 3 years. The remaining time is for planning, programming, budgeting and procurement activities. The scope and cost of each project must be finalized before the annual budget submission to the Congress. The total construction process consists of four phases.

1. PLANNING AND PROGRAMMING

a. Planning. During planning, an installation's facility requirements are derived from the installation's mission. The need to acquire additional facilities is determined by an assessment of how existing facilities meet the installation's facility requirements. If additional facilities are needed, construction projects may be undertaken to build new facilities, or upgrade existing, substandard facilities to accommodate new missions, accept technological changes, and improve operational efficiency.

b. Programming. During programming, requirements--which are not met--are matched with anticipated resources and included in a long-range plan to acquire those facilities. Installation plans are combined into a Component-wide basis to ensure compatibility with the nation's military strategy, Component priorities and guidance, and in consideration of the DoD facilities investment goal.

c. Investment Goal. The Department and the Congress recognize that there is a minimum level of facilities investment that should be reached each year to protect the investment in existing facilities, ensure that facilities will continue to satisfy their designated purposes, and renew our installations. The physical plant must be capable of supporting operational requirements and readiness, both today and in the future. The investment goal is expressed as a percentage of plant replacement value.

d. Plant Replacement Value (PRV). See Attachment 2 to this appendix for further details.

e. Master Planning. Facility requirements are reflected in an installation master plan. This document is the installation's long-range strategy for development. It prescribes overall facility quality standards and architectural themes and addresses such areas as land use, utility systems, roads and parking.

f. Project Planning and Programming. After it is determined that a construction project is needed, a general description of the project requirement, its scope and a cost estimate are developed and, along with supporting documentation, submitted as part of the installation's military construction budget request. The project shall include associated equipment, furnishings (classified as equipment in place), and supporting facilities.

g. The cost of the above efforts normally is expensed and not capitalized.

2. BUDGETING

a. DoD Components determine which facility projects should be included in their Military construction budgets. Some facility projects may qualify for inclusion in other budgets, such as Procurement, RDT&E, or O&M or for accomplishment with nonappropriated funds.

b. The budget requests are forwarded to OSD, where all DoD Component programs are reviewed for compliance with DoD objectives and policy and refined and modified as necessary to ensure consistency and conformity. Once the program has been reviewed by the OSD, it becomes part of the budget request submitted to the OMB for transmission to the Congress as part of the President's Budget.

c. After receipt of the President's Budget, it is reviewed by oversight subcommittees of the House and Senate Appropriations Committees and the House National Security and Senate Armed Services Committees. Often, witnesses from respective DoD Components, and sometimes from the private sector, appear before the subcommittees to furnish further information on specific programs and projects.

d. Upon completion of its review, each subcommittee marks up the budget request and forwards its recommendations for approval to the full committee and then to the full chamber. Differences between the projects approved by the House and Senate are resolved in joint conferences. The Congress passes separate authorization and appropriation bills that, when signed by the President, become the approved Military Construction program.

e. The cost of the above efforts normally is expensed and not capitalized.

3. DESIGN

a. Once a Military Department has validated the requirement and priority of a military construction project and inserted it in a specific fiscal year program, a design instruction is issued to the design agent who initiates the design process.

b. Design may be accomplished by contracting with an architect-engineer firm, a design build firm, or an in-house professional staff. If the design is to be contracted, 10 U.S.C. 2855 will be followed.

c. Design is accomplished in predetermined phases to assure that user requirements are addressed properly in the design and that established standards and criteria are met. The number of phases and detail required for each phase varies with each project, depending on complexity, special interest, high visibility, time constraints and funding level.

d. Normally, the critical point is at the preliminary design stage (referred to as the 35 percent stage) since this stage provides sufficient detail to define scope, criteria, and cost estimates for consideration in the budgeting process. The content of the 35 percent design submittal is defined in the contract scope of work and will vary depending on the contract delivery strategy to be used to acquire the facility. The most typical strategy is a design based on a unique one-of-a-kind effort. However, design could also be a site-adapt, a performance specification using commercially available building systems, a design-build, etc., but each of these contracting processes determines the content of the 35 percent design submittal.

e. Design includes such actions as the development of design manuals, software programs, guide specifications and standards, standard drawings, extensive site investigation, analysis of alternative solutions, development of building systems layout, outline specifications, cost estimates, and special studies including value engineering.

f. The final design phase is initiated after thorough review by the using activities to ensure that requirements and criteria are addressed properly in the preliminary design documents and that the project has been revalidated and still is in the budget. Upon completion of the working drawings, contract specifications, and bidding documents, the project is ready to be advertised for construction. Projects require both congressional authorization and appropriation before a construction contract can be awarded.

g. The cost of the above efforts, including administrative and overhead support costs, shall be capitalized.

4. CONSTRUCTION

a. Normally, military construction projects are awarded through a competitive bid process that consists of advertising in the "Commerce Business Daily," using sealed bid procedures and awarding a firm fixed price contract to the responsible contractor submitting the lowest acceptable bid. However, as discussed previously for the design phase, alternative contracting delivery strategies may be followed in accordance with the Federal Acquisition Regulation (FAR) and congressional direction. Regardless of the method used, all requirements for construction contacts over $250,000 must be advertised in the "Commerce Business Daily" to include details of the bidding procedures to be used.

b. Advertisement, award and administration of a construction contract require both in-house and contract efforts that include reproduction of bid documents, preparation and response to the advertisement, supervision, and administration and inspection throughout the life of the construction project, in addition to the total cost of the construction contract.

c. The cost of the above efforts shall be capitalized.

ATTACHMENT 1 TO APPENDIX C

EVOLUTION OF A FY 1995 MILITARY CONSTRUCTION PROJECT

PHASES	1990	1991	1992	1993	1994	1995	1996	1997
PLANNING, PROGRAMMING AND BUDGETING	User Identifies and Develops Project	Service Inserts Project in FYDP*	Service Completes Planning	Service Finalizes Program and Prepares Budget	OSD Submits Budget to the Congress			
LEGISLATION					Congressional Committees Hold Hearings & Enact Legislation			
DESIGN 1/			Service Selects A&E** Negotiates Contract	A&E** Performs 0-35% Design. Service Reviews and Approves	A&E** Performs 35-100% Design. Service Reviews and Approves			
CONSTRUCTION					Service Solicits Bids and Awards Contract	Construction 2/		User Occupies Facility
PHASES	1990	1991	1992	1993	1994	1995	1996	1997

* Future Years Defense Program
** Architect and/or Engineer

1/ Reserve Component facilities are to be at 65% design complete before inclusion in the DoD budget
2/ Contracts may not be awarded without congressional authorization and appropriations.

ATTACHMENT 2 TO APPENDIX C

PLANT REPLACEMENT VALUE

A. The Department and the Congress recognize that there is a minimum level of facilities investment that should be made each year to protect the investment in existing facilities, ensure that facilities will continue to satisfy their designated purposes, and renew our military installations. The physical plant must be capable of supporting operational requirements and readiness, both today and in the future. The plant replacement cycle is one indicator of an appropriate facility investment level. The methodology to determine the plant replacement cycle makes use of one indicator, plant replacement value which is described in this addendum.

1. PLANT REPLACEMENT VALUE (PRV)

The PRV is the cost of replacing the current physical plant with modern facilities built at today's construction costs using today's construction standards. It includes all buildings, structures, or other improvements to real property, regardless of funding source but does not include land value or leasing costs.

2. CALCULATION

a. The PRV shall be calculated by applying current construction pricing data to the total inventory of the current physical plant. This will yield the PRV.

b. The "Tri-Service Cost and Pricing Guide" should be consulted to determine current construction prices. Appropriate unit costs may not be available in the pricing guide. If this occurs, DoD Components shall use any other supportable sources available. DoD Components should use the most accurate estimates. The PRV shall not be calculated by inflating the original facility acquisition cost to the current year, unless no other reasonable method is available.

c. The PRV shall be identified for each of the following investment categories (ICs):

IC 01 Aviation Operational
IC 02 Communication Operational
IC 03 Waterfront Operational
IC 04 Other Operational
IC 05 Training
IC 06 Aviation Maintenance
IC 07 Shipyard Maintenance
IC 08 Other Maintenance and/or Production
IC 09 Research, Development, Test, and Evaluation
IC 10 Petroleum, Oil and Lubricant Supply and/or Storage
IC 11 Ammunition Supply and/or Storage
IC 12 Other Supply and/or Storage
IC 13 Medical and/or Dental
IC 14 Administration
IC 15 Troop Housing and/or Messing
IC 16 Other Personnel Support Services
IC 17 Utilities
IC 18 Real Estate and Ground Structures (less land)
IC 19 Other Facility Costs
IC 20 Family Housing

d. Facility acquisitions include all aspects to include construction, purchases, donations, and transfers in. In effect, include any transactions that increase the size of the physical plant.

e. Facility losses include demolitions, transfers out, sales, and losses because of fire or natural disaster. In effect, include any transactions that decrease the size of the physical plant.

f. The DoD Component shall maintain an audit trail of the calculations used to develop the PRV.

3. REPORTING REQUIREMENTS

PRV information is to be furnished to the Office of the Deputy Under Secretary of Defense (Installations) within 60 days after the end of each fiscal year. The following format will be used for submitting this information.

Plant Replacement Value (PRV) for FY 19_____
(As of September 30, 19____) (Dollars in Millions)

INSTRUCTIONS
1. List the PRVs reported for the prior FY in column 2.
2. Calculate the prior year PRVs with current reporting year values and list in column 3a.
3. List acquisitions and losses for the current reporting FY in columns 3b and 3c.
4. The current year PRVs in column 4 (columns 3a + 3b + 3c).

1. Facility Categories (Enter totals for each category) (Use ICs & FCC cross reference list)	2. PRV Prior FY	3. Current FY Value			4. PRV Current FY
		a. PRV Prior FY	b. Acquisitions	c. Losses	
IC 01 Aviation Operational					
IC 02 Communication Operational					
IC 03 Waterfront Operational					
IC 04 Other Operational					
IC 05 Training					
IC 06 Aviation Maintenance					
IC 07 Shipyard Maintenance					
IC 08 Other Maintenance and/or Production					
IC 09 Research, Development, Test & Evaluation					
IC 10 Petroleum, Oil, & Lubricant Supply and/or Storage					
IC 11 Ammunition Supply and/or Storage					
IC 12 Other Supply and/or Storage					
IC 13 Medical and/or Dental					
IC 14 Administrative					
IC 15 Troop Housing/Messing					
IC 16 Other Personnel Support Services					
IC 17 Utilities					
IC 18 Real Estate & Ground Structure (less land)					
IC 19 Other Facility Costs					
IC 20 Family Housing					
Total					

INVESTMENT CATEGORIES (ICs) AND THREE-DIGIT FACILITY CATEGORY CODE (FCC) CROSS REFERENCE LIST

Operations (all FCCs in the 100s except 171 and 179)

IC 01 - Aviation Operational Facilities

111 Airfield Pavements - Runways

112 Airfield Pavements - Taxiways

113 Airfield Pavements - Aprons

116 Airfield Pavements - Other

121 Airfield Fuel Dispensing

133 Navigation and Traffic Aids - Buildings

134 Navigation and Traffic Aids - Other than Buildings

136 Airfield Pavement Lighting

141 Operational - Buildings

149 Operational Facilities Other than Buildings

IC 02 - Communication Operational Facilities

131 Communications - Buildings

132 Communications - Other than Buildings

135 Communications - Lines

IC 03 - Waterfront Operational Facilities

122 Marine Fuel Dispensing

151 Piers

152 Wharfs

153 Cargo Handling or Staging Areas

154 Sea Walls, Bulkheads, and Quay Walls

155 Small Craft Berthing

156 Cargo Handling Facilities and/or Buildings

159 Other Waterfront Operational

161 Harbor Protection Facilities

162 Coastal Protection Facilities

163 Moorings

164 Marine Improvements

165 Dredging

169 Other Harbor and Coastal

IC 04 - Other Operational Facilities

123 Land Vehicle Fuel Dispensing

124 Operational Fuel Storage

125 Petroleum, Oil, and Lubricant (POL) Pipeline

126 Liquid Fuel and Dispensing - Other

137 Ship Navigation and Traffic Aids - Buildings

138 Ship Navigation and Traffic Aids - Other than Buildings

142 Operational - Helium Plants and Storage

143 Ship and Other Operational - Buildings

148 Ship and Other Operational - Other than Buildings

Training (FCCs 171 and 179)

IC 05 - Training Facilities

171 Training Buildings

179 Training Facilities - Other than Buildings

Maintenance and Production (all FCCs in the 200s)

IC 06 - Aviation Maintenance Facilities

211 Maintenance - Aircraft

221 Production - Aircraft

IC 07 - Shipyard Maintenance Facilities

213 Maintenance - Ships and Spares

223 Production - Ships and Spares

IC 08 - Other Maintenance and or Production Facilities

212 Maintenance - Guided Missiles

214 Maintenance - Tank and Automotive

215 Maintenance - Weapons and Spares

216 Maintenance - Ammunition, Explosives, and Toxic

217 Maintenance - Electronics and Communications Equipment

218 Maintenance - Facilities for Miscellaneous

219 Maintenance - Installation, Repair, and Operation

222 Production - Guided Missiles

224 Production - Tank and Automotive

225 Production - Weapons and Spares

226 Production - Ammunition, Explosives, and Toxic

227 Production - Electronics and Communications Equipment

228 Production - Facilities for Miscellaneous

229 Production - Installation, Maintenance, Repair, and Operations

Research, Development, Test and Evaluation (RDT&E) (all FCCs in the 300s)

IC 09 - RDT&E Facilities

310 Science Labs

311 Aircraft

312 Missile and Space

313 Ship and Marine Equipment

314 Tank and Automotive

315 Weapons and Weapon Systems

316 Ammunition, Explosives, and Toxic

317 Electronic, Communications, and Electrical Equipment

318 Propulsion

319 Miscellaneous Items and Equipment

320 Underwater Equipment

321 Technical Services

371 Range Facilities

390 Other than Buildings

Supply (all FCCs in the 400s)

IC 10 - POL Supply and or Storage Facilities

411 Liquid Fuel Storage - Bulk

412 Liquid Storage Other than Water, Fuel, and Propellants

IC 11 - Ammunition Supply and or Storage Facilities

421 Ammunition Storage - Depot and Arsenal

422 Ammunition Storage - Installation and Ready Issue

423 Ammunition Storage - Liquid Propellant

424 Weapon-Related Battery Storage

425 Open Ammunition Storage Pad (Other)

IC 12 - Other Supply and or Storage Facilities

431 Cold Storage - Depot and In-Transit

432 Cold Storage - Installation and Ready Issue

441 Storage - Covered - Depot and Arsenal

442 Storage - Covered - Installation and Organizational

451 Storage - Open - Depot

452 Storage - Open - Installation and Organizational

Hospital and Medical (all FCCs in the 500s)

IC 13 - Medical and or Dental Facilities

510 Medical Center and or Hospital

530 Laboratories

540 Dental Clinics

550 Dispensaries and/or Clinics

Administrative (all FCCs in the 600s)

IC 14 - Administrative Facilities

610 Administrative Buildings

620 Administrative Structures - Underground

690 Administrative Structures - Other than Buildings

Troop Housing and or Messing (all FCCs 721 through 725)

IC 15 - Troop Housing and or Messing Facilities

721 UPH - Enlisted Personnel

722 UPH - Mess Facilities

723 UPH - Detached Facilities

724 UPH - Officers Quarters

725 UPH - Emergency

Community (all FCCs 730 through 760)

IC 16 - Other Personnel Support Services Facilities

730 Personnel Support and Service

740 Morale, Welfare, and Recreational (MWR) - Interior

750 Morale, Welfare, and Recreational (MWR) - Exterior

760 Museums and Memorials

Utilities (all FCCs in the 800s except 851, 852, 860, 871, and 872)

IC 17 - Utilities Facilities

811 Electrical Power - Source

812 Electrical Power - Transmission and Distribution Lines

813 Electrical Power - Substations and Switching Stations

821 Heat - Source

822 Heat - Transmission and Distribution Lines

823 Heat and Gas - Source

824 Heat and Gas - Transmission

826 Refrigeration (Air Conditioning) - Source

827 Chilled Water (Air Conditioning) - Transmission and Distribution

831 Sewage and Industrial Waste - Treatment and Disposal

832 Sewage and Industrial Waste - Collection

833 Refuse and Garbage

841 Water - Supply, Treatment, and Storage - Potable

842 Water - Distribution System - Potable

843 Water - Fire Protection

844 Water - Supply and Storage - Nonpotable

845 Water - Distribution System - Nonpotable

880 Fire and Other Alarm Systems

890 Miscellaneous Utilities

Real Estate and/or Roads and/or Grounds (other than land) (all FCCs in the 900s plus 851, 852, 860, 871, and 872)

IC 18 - Real Estate and Ground Structures (less land)

851 Roads

852 Sidewalks and Other Pavement

860 Railroad Tracks

871 Grounds Drainage

872 Ground Fencing, Gates, and Guard Towers

912 Public Domain Withdrawal

923 Foreign Rights

931 Buildings

932 Site Improvement

933 Demolition

939 Other

Other

IC 19 - Other Facility Costs

Family Housing (FCCs 711 through 714)

IC 20 - Family Housing Facilities

711 Family Housing - Dwellings

712 Family Housing - Trailers

713 Family Housing - Trailer Sites

714 Family Housing - Detached Facilities

VOLUME 3, CHAPTER 18: "PUBLIC ENTERPRISE AND TRUST 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 December 1996 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Administrative: Form number and report number changed	Refresh
180201	Removed Army Conventional Ammunition Working Capital Fund	Delete

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CHAPTER 18

PUBLIC ENTERPRISE AND TRUST FUNDS

1801 GENERAL

This chapter identifies the policies and procedures to guide budget execution for public enterprise and trust funds.

1802 BACKGROUND

180201. Applicable Funds

This guidance is applicable to the following Funds:

Public Enterprise Funds
National Defense Stockpile Transaction Fund
Pentagon Reservation Maintenance Revolving Fund (PRMRF)
National Defense Sealift Fund
Buildings Maintenance Fund (BMF)

Trust Funds
National Security Education Trust Fund
Department of the Navy Trust Revolving Funds *
Department of the Air Force Trust Revolving Funds *
Surcharge Collections, Sales of Commissary Stores, Defense

*Exempt from apportionment

180202. The Corpus

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

180203. Revenues

Revenues are generated in Department of Defense (DoD) public enterprise or trust funds from customers buying goods or services. The funds collected from customers are used to pay for the acquisition of resources needed to operate the public enterprise or trust fund. In public enterprise or trust funds that are apportioned by the Office of Management and Budget (OMB),

the ability to incur obligations is limited to the amount of authority approved for obligation during the budget review as amended by unanticipated events during execution. A SF 132, "Apportionment and Reapportionment Schedule," is required to be submitted to the OMB for approval of the amount of obligation authority needed for the operation of the public enterprise or trust fund for a fiscal period, usually a full fiscal year. Budgetary resources available for apportionment action include:

A. New budget authority (appropriations).

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

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

D. Recoveries of prior year obligations.

E. Restorations.

F. Anticipated contract authority.

180204. Apportionment of anticipated reimbursements

The apportionment of anticipated reimbursements as obligational authority in no way authorizes a public enterprise or trust fund to obligate in excess of the 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.

180205. Other Assets

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 accounts payable and undelivered orders, are obligations of a public enterprise or trust fund and must be subtracted from unobligated balances when incurred. Obligations for the procurement of inventories, as well as for the acquisition of other public enterprise or trust fund assets, must be recognized, recorded, and reported along with other obligations.

180206. Contract Authority

The amount of contract authority apportioned or the available balance of contract authority may be less than the total budgetary resources available in a working capital fund. The difference, which cannot be obligated unless it is apportioned, may be characterized either as an unapportioned balance of a public enterprise or trust 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 or represents those resources not scheduled for obligation within a fiscal year.

180207. Antideficiency Act

The incurring of obligations or authorizing the incurrence of obligations in excess of apportioned budgetary resources must be reported as an apparent violation of the Antideficiency Act, as required by DoD Directive 7200.1. This reporting requirement applies whether or not a public enterprise or trust fund has unapportioned budgetary resources or nonbudgetary assets greater than the amount of the deficiency.

1803 EXECUTION REQUIREMENTS

180301. Apportionment

A SF 132 (Apportionment and Reapportionment Schedule) is to be prepared by the managing DoD Component and submitted to the Office of the Under Secretary of Defense (Comptroller) Program/Budget (OUSD(C)) (P/B) Directorate for Revolving Funds or Directorate for Investment for the National Defense Stockpile Transaction Fund; the William Langer Jewel Bearing Plant Revolving Fund; the National Defense Sealift Fund (Investment); the Emergency Response Fund; the Surcharge Collections, Sales of Commissary Stores, Defense account; the Army Conventional Ammunition Working Capital Fund; the Pentagon Reservation Maintenance Revolving Fund; the Buildings Maintenance Funds; and any other Public Enterprise or Management Fund to which the Congress appropriates funds. The SF 132 will be reviewed and submitted by the OUSD(C) to the OMB for approval.

180302. Annual Operating Budget.

The OUSD(C) (P/B) Directorate for Revolving Funds or Directorate for Investment will issue funding documents to the applicable DoD Component granting authority to incur cost or obligate funds for the National Defense Stockpile Transaction Fund; the William Langer Jewel Bearing Plant Revolving Fund; the National Defense Sealift Fund (Investment); the Emergency Response Fund; the Surcharge Collections, Sales of Commissary Stores, Defense account; the Buildings Maintenance Fund; and the Pentagon Reservation Maintenance Revolving Fund. Each operating budget provides an obligation limitation (subject to 31 U.S.C. 1517a) which, if exceeded, is a statutory violation. Each Component is responsible for taking actions that maintain a positive cash balance in order to remain solvent and enable operations (disbursements) to continue. It is a statutory violation for a Component's cash to go below zero at any time. A sample of a funding document is on next page 18-7.

180303. Adjusting Component Resources.

Based on budget execution experience, Components periodically request the OUSD(C) (P/B) Directorate for Revolving Funds or Investment to adjust their obligation limitations. Unless the Congress has provided a specific limitation or other direction that would preclude making a requested adjustment, a Component's request will be evaluated on the merit of the justification provided. If approved by OUSD(C) (P/B), a revised apportionment will be requested from OMB and, if approved by OMB, the Component-requested revision will be reflected as a revised limitation of the applicable operating budget.

180304. Execution Review.

The OUSD(C) (P/B) Directorate for Revolving Funds or Investment receives a monthly SF 133 (Report on Budget Execution) for each account (see Chapter 19, Volume 3 of this Regulation). In addition, revenue and expense statements, similar to the statement of operations for working capital funds (see Chapter 70, Volume 11B and Chapter 19, Volume 3 of this Regulation), are received for the PRMRF and BMF accounts. Each account is reviewed to determine actual results of operation in comparison with plans provided by the Components by month for obligations, disbursements, and collections, as well as revenue, expense, and net operating results for those using income statements, and for civilian full-time equivalents (FTEs) or military strength for those whose budgets include personnel support. When there are significant deviations from plan in actual execution, the OUSD(C) (P/B) analyst and the Component mutually determine the management actions that may be required to bring execution back into line with the plan, or the need for and justification to revise plans consistent with current and more realistic financial expectations.

Resource Authority Funding Document

(NAME OF FUND AND APPROPRIATION CODE) (FISCAL YEAR) RESOURCE AUTHORITY			
ACTIVITY	LIMITATIONS		
	Previously Approved	This Adjustment	Revised Approved Obligations
FY 20CY Program Cost of Goods/Services Produced Obligations Appropriation Capital Purchase	 $ $ $ $	 $ $ $ $	 $ $ $ $

LIMITATION: Although the Cost of Goods/Services Produced shown in the Revised Approved column does not represent a limitation subject to the provision of the Antideficiency Act (31 U.S.C. 1517), costs are not to be incurred in excess of the Revised Approved amounts shown without the specific prior approval of the Director for Revolving Funds, Office of the Deputy Comptroller (Program/Budget).

The Revised Approved column for Obligations, Appropriation, and Capital Purchase authority do represent limitations subject to the provision of the Antideficiency Act (31 U.S.C. 1517).

AUTHORITY: Resource Authority provided is no greater than the OMB-apportioned budgetary resources, if applicable, or is equal to current estimated requirements based on known workload and is within the scope and intent of the program approved by the Congress.

DESCRIPTION OF SUPPORT: (A general description of goods or services provided for which obligation authority is required.)

Authorization No. ACCOUNT (FY)-1	Date	Approved

VOLUME 3, CHAPTER 19: "WORKING CAPITAL 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 December 1996 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
190201	Clarified language used in previous version	Update
190202	Clarified language used in previous version	Update
190203	Updated and provided form names and examples	Update
190204	Clarified language used in previous version	Update
190205	Clarified that fixed type assets do not provide budget authority	Update
190206	Defined Contract Authority	Update
190207	Clarified language used in previous version	Update
190301	Updated and provided form names and examples	Update
190302	Added Contract Authority and defined Variability Target	Revised
190303	Clarified language used in previous version	Update
190304	Clarified the use of the SF 133	Revised
190305	Added section on the AR 1307 and the reconciliation of budget authority	Revised
190306	Clarified language used in previous version	Update
190307	Clarified language used in previous version	Update

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CHAPTER 19

WORKING CAPITAL FUNDS

1901 GENERAL PROVISIONS

This chapter provides the policies and procedures to guide budget execution for working capital funds.

1902 BACKGROUND

190201. Policy

This guidance is applicable to all DoD working capital funds

190202. Working Capital Funds

Direct Appropriations (e.g. Procurement and O&M) are required to start, increase the size, or replace significant losses to a working capital fund. In addition, existing resources in other accounts may be transferred to a working capital fund as capitalized assets to serve these same purposes in lieu of an appropriation. The resources used to establish or increase the size of a working capital fund are commonly referred to as "the corpus (total investment) of the revolving fund." This is not by definition the same as the "cash corpus" financial metric. The "cash corpus" is defined as the requirement to maintain seven to ten business days of cash plus an additional six months of disbursements for the Capital Investment Program (CIP). The corpus (or total investment) forms the nucleus of resources used to acquire the items needed to perform the mission of the working capital fund.

190203. Budgetary Authority for Working Capital Fund

Revenues are generated in DoD revolving funds mostly from appropriated funds used by federal agencies, to purchase goods or services provided by the specific fund. The revenue collected from these "customers" is used to pay for the acquisition of resources needed to ensure the continuous operation of the various working capital fund activities. In other words, in exchange for goods and services, resources from the initial/additional investment are expended and subsequently are reimbursed from funded customer orders. For any working capital fund that is apportioned by the OMB, the ability to incur obligations is limited to the amount of authority approved for obligation during the budget review and amended by unanticipated events during execution. The SF 132, "Apportionment and Reapportionment Schedule," is required to be submitted to the OMB for the approval of obligation authority needed for the operation of a working capital fund. Budgetary resources available for apportionment action include:

A. New budget authority (direct appropriations).

B. Available unobligated balances at the beginning of the fiscal period (e.g. unfilled customer orders).

C. Reimbursements for goods and services provided and/or other income (also known as offsetting collections credited to the working capital fund account).

D. Recoveries of prior year obligations.

E. Restorations.

F. Anticipated contract authority.

190204. Obligation in Excess of Orders Received

For Non-supply management activity groups the apportionment of anticipated reimbursements as obligation authority does not authorize these activity groups to obligate in excess of the 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.

*190205. Budgetary Resources Used in Calculating Unobligated Balances

Assets such as inventories or of a fixed asset nature (buildings and equipment), are not considered a budgetary resource because they do not provide a direct monetary source to liquidate financial transactions. Such assets, therefore, do not increase the amount of obligation authority available when calculating unobligated balances. Unobligated balances are the offset of budgetary resources with claims against budgetary resources (Accounts Payable and Undelivered Orders). In other words, the available budgetary resources for obligation is equal to the difference between budgetary resources less any claims against these budgetary resources. Obligations for the procurement of inventories, as well as for the acquisition of other working capital fund assets, must be recognized, recorded, and reported along with other obligations.

*190206. Contract Authority

Contract authority is the legal ability to enter into contracts and incur obligations ***before*** budgetary authority is available to make outlays to liquidate those obligations. With respect to Working Capital Fund budget execution, contract authority is mainly used in supply management and capital investment programs. Contract authority must be apportioned even if total budgetary resources are available to offset the amount required. When budgetary resources exceed contract authority, the difference cannot be obligated unless it is apportioned. This 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 (cash corpus requirement) so it may continue to revolve or represents those resources not scheduled for obligation within a fiscal year.

190207. Reporting Antideficiency Act Violations

The incurring of obligations or authorizing the incurrence of obligations in excess of apportioned contract authority and/or budgetary resources must be reported as an apparent

violation of the Antideficiency Act, as required by DoD Directive 7200.1. This reporting requirement applies whether or not a working capital fund has unapportioned budgetary resources or nonbudgetary assets (e.g. inventory) greater than the amount of the deficiency.

1903 EXECUTION REQUIREMENTS

190301. Apportionment

The OMB apportions to the USD(C) the Working Capital Funds appropriation, budgetary and contract authority for the current fiscal year by means of a SF 132 as shown later in the chapter. The SF 132 is prepared by the Revolving Funds Directorate, reviewed by the Deputy Comptroller (Program/Budget), and submitted to the OMB for approval. Contract authority on the SF 132 is the legal authority to obligate funds in anticipation of receipt of customer orders. Contract authority is provided for Supply-type business area operations (e.g. Supply Management, Distribution Depots, the Defense Reutilization and Marketing Service, and DeCA Resale Operations), and the capital investment purchase authority of all business areas. Details and explanations on preparing the SF 132 can be found in OMB Circular A-11 Preparation, Submission and Execution of the Budget, Section 121.

190302. Contract Authority

The initial apportionment of contract authority for a year normally is based on the operating and capital budget (obligation) estimates for each Supply-type business area and the Working Capital Funds appropriation request reflected in the budget year column of last year's President's budget (the Program and Financing statement). Contract authority is also requested and provided for Supply Management activities as a Variability Target. The Variability Target represents an amount of contract authority to be held in reserve by the Revolving funds Directorate to ensure continuity of operations for fluctuations in customer orders due to contingency operations. Requested adjustments to the initial apportionment are provided to OMB in February/March reflecting revised estimates displayed in the current year column of the President's budget submission that was just provided to Congress. Other adjustments can be requested at subsequent times during the fiscal year reflecting significant changes experienced in budget execution.

190303. Annual Operating Budget.

The Revolving Funds Directorate issues initial Annual Operating Budgets (AOBs) for each Component's activity group within a specific working capital fund, prior to the beginning of the fiscal year. A sample is shown later in this chapter. The AOB identifies an operating budget, operating results, unit cost(s) targets and capital budget limitation (subject to 31 U.S.C. 1517) for each business area.

A. Cash is centrally managed by the Army, Navy, Air Force, Defense Commissary Agency, and the Defense Logistics Agency. Each is responsible for taking actions that enable their fund to maintain a positive balance in order to remain solvent and allow

operations (disbursements) to continue. It is a violation of the Antideficiency Act if a fund's cash goes below zero at the close of the monthly reporting period.

B. Unless approved by OUSD (C), Non-supply management activities shall maintain a positive budgetary resource balance (e.g. obligations do not exceed resources comprised of any appropriation, customer orders, unobligated balances carried forward from a previous period, current or prior year transfers of balances from other accounts, current year unobligated balances, and recoveries from the de-obligation of prior year obligations). Additionally, AOBs for supply management activities and capital investment programs display the level of OMB-apportioned contract authority and may be delineated specifically on applicable AOBs that provide authority for which budgetary resources are not required.

*190304. Budgetary Resources

The reconciliation of budgetary resources is reported to working capital fund activities by the Defense Finance and Accounting Service monthly on the SF 133 Report on Budget Execution and Budgetary Resources. Although Contract Authority is not a budgetary resource, it still is reported on the SF 133 to ensure obligations do not exceed apportioned amounts from OMB. Details on the preparation and explanation of the SF 133 can be found in OMB Circular A-11 Preparation, Submission and Execution of the Budget, Section 130.

A. Obligations should not be authorized or incurred in a working capital fund business area unless available resources, the sum of lines 9.A.1., 9.B., and 9.C. of the SF 133 exceed the proposed obligation or accrued expense. Obligating funds or incurring an accrued expense that results in the business area account being over apportioned amounts can result in a violation of the Antideficiency Act for the fund manager. Such violations are reportable to the President and the Congress, and can involve criminal prosecution for the responsible person or people.

B. Clarifications of the categories used on the SF 133 and how they pertain to working capital fund activities are detailed as follows:

Line 1A. Unobligated balance brought forward. For industrial and service related activities this total should represent the amount of work still required to be performed against outstanding customer orders. It may also include the amount of Contract Authority approved to be brought forward from prior year capital budgets. For supply related activities, this amount should only represent the amount of capital budget contract authority allowed to be brought forward. Unobligated Contract Authority will be cancelled at the end of the fiscal year.

Line 2A. Recoveries of prior year obligations actual. The actual amounts of prior year obligations should be reported on this line and not included in Line 8, Obligations Incurred. If current year recoveries can not be separated from prior year recoveries, then the total amount of recoveries should be reported on Line 2A and not included in Line 8.

Line 3A. Budget Authority. For industrial and service activities, budget authority is the sum of planned customer new orders, contract authority for the capital budget and any direct appropriations received by that activity. For supply activities, it represents the sum of contract authority apportioned, the amount of obligation authority earned, and any direct appropriations received. However, for clarification, Line 3 is not the net budget authority approved for supply activities. This amount has to be offset by the amount of contract authority no longer available by the amount of obligation authority earned by collections (Line 6D). The net amount of budget authority for supply activities is reflected on Line 7.

Report of Budget Execution and Budgetary Resources-Supplemental. This section provides information that can be used to calculate the Unrealized Budgetary Position (UBP) of pending transactions. Unrealized budgetary resources are accounts receivable and unfilled customer orders because they represent future collections to a working capital fund. Unrealized budgetary claims are accounts payable and undelivered orders because they represent future disbursements. For industrial and service type activities, the sum of these categories should be negative thereby indicating that there are sufficient resources available to cover future pending transactions. For industrial and service type activities, the UBP is an indicator of the amount of work needed to complete accepted customer orders. Conversely, supply type activities should typically have a positive balance given that contract authority allows for the obligation of resources in advance of available funding. For supply type activities, the UBP indicates the amount of future customer orders and/or appropriated funding required to liquidate future potential transactions.

Accumulated Solvency Position. Subtracting the cash balance with treasury from the UBP will result in an Accumulated Solvency Position (ASP). The ASP represents a long term position whereas the UBP represents current operations. Again, this number is typically negative for industrial/service activities and positive for supply activities.

*190305. DFAS Reporting

The DFAS Accounting Report (AR) 1307 is the main source and official document for budget execution. The following are clarifications on how the 1307 relates to the reconciliation of budgetary authority.

Statement of Financial Position and Statement of Cash Flows. All amounts depicted on these statements that are also displayed on the SF 133 should reconcile. Amounts that do not reconcile should be explained in the accompanying footnotes.

Statement of Operations. The accounting term “expense” is not synonymous with the budgetary term “obligation.” Obligations are typically higher than expenses because an obligation should be incurred before the accrual of an expense. The term “cost” may refer to either an obligation or expense depending on the circumstances. To clarify, an “obligation” is an unrealized cost whereas an “expense” is a realized cost. The reconciliation of budgetary resources relies upon the recognition of obligations as “costs” to ensure that budgetary resources are in place to cover any potential realized costs.

A. Cost of Goods Sold (COGS). The AR 1307 COGS do not represent the total amount of obligations incurred for the purchase of inventory. Furthermore, the 1307 adjusts the value of inventory based upon holding gains and losses that do not affect budgetary resources. Therefore, the amount of budgetary resources required to purchase inventory and produce goods and services may be a separate and distinct value than the accounting COGS.

B. Depreciation. The accounting purpose for depreciation is to recognized costs incurred as an asset is consumed over its useful life. It is based upon the purchase price of the asset and the length of the item's useful life. For budgetary purposes, depreciable assets are purchased with contract authority in advance of appropriated funding. Depreciation, for budgetary purposes, is used for the collection of budgetary resources to offset the contract authority used to purchase the item. This recovery period may be shorter than the useful life of the item depending on the budgetary resources required by an activity.

C. Net Operating Result (NOR)/Accumulated Operating Results (AOR). The NOR/AOR for budgetary purposes may also be different than the AR 1307 NOR/AOR. It is up to the fund manager to develop a methodology that is representative of the budgetary NOR/AOR. This methodology is typically reviewed during quarterly execution reviews with OUSD (C) Revolving Funds and the Budget Estimate Submission (BES). The fund manager may use the AR 1307 NOR/AOR if they feel it is representative of the fund's budgetary position.

Part VII Inventory Management Report. For supply activities, the Part VII of the AR 1307 provides budgetary, accounting and inventory data that can be used for the development of internal benchmarks and metrics that indicate the operational effectiveness and efficiency of the activity. Fund managers should coordinate with OUSD (C) Revolving Funds for clarification on what should be displayed on quarterly execution briefings. All amounts depicted on the Part VII that are also displayed elsewhere on the AR 1307 or SF 133 should reconcile.

190306. Execution Review

The Revolving Funds Directorate receives from each working capital fund activity group a quarterly execution briefing and a Fund-28 Execution Performance Quarterly Analysis (see Vol 2B, Chapter 9). Each activity group's results of operations (through the latest available accounting period) are formally reviewed by OUSD (C) leadership to determine the actual results of operation in comparison with plans for disbursements, collections, revenue, expense, net operating results, and unit costs. Typically these briefings occur in February, May, and August. The purpose of the review is to determine if financial operations are proceeding according to plan and if there are significant deviations from the plan to actual execution. Management actions may be required to either bring execution back into line with the plan or to revise the plan to be consistent with current and more realistic financial expectations.

190307. Adjusting Components Resources

Based on budget execution, Components periodically request the Revolving Funds Directorate to adjust their targets and/or capital budget limitation. Unless the Congress has

provided a capital purchase limitation or other direction that would preclude making a requested adjustment, a Component's request will be evaluated and approved or disapproved and reflected in a revised AOB based on the merit of the justification provided.

Expanded Apportionment Format 132

*SF 132

Expanded Apportionment Format (SF 132)

The system hides columns A - F when you validate a file, but each row contains the proper TAFS. If you add rows or change the TAFS, you must update these columns.

FY 2009 Apportionment
Funds provided by Public Law 110-999

Identify in the header the law(s) providing the budget authority.

Line No	Line Split	Bureau/ Account Title / Cat B Stub / Line Split	Previous Approved	Prev Approved Footnote	Agency Request	Agency Footnote	OMB Action	OMB Footnote	Memo Obligations
		Department of Government							
		Bureau: Office of the Secretary							
		Account: Salaries and Expenses (003-04-1109)							
		TAFS: 80-0137/2009							
BEA	DISC	BEA Category							
RptCat	NO	Reporting Categories							
AdjAuth	NO	Adjustment Authority provided							
		BUDGETARY RESOURCES							
		Unobligated balance:							
1A		Unob Bal: Brought forward, October 1 (+ or -)							
1B		Unob Bal: Adjustment to SOY balance brought forward, October 1 (+ or -)							
		Recoveries of prior year unpaid obligations:							
2A		Recoveries of prior year unpaid obligations, Actual							
2B		Recoveries of prior year unpaid obligations, Anticipated							
		Budget authority\ Appropriation:							
3A1		BA: Appropriation, Actual			7,400,000		7,400,000		
3A2		BA: Appropriation, Anticipated							
3B		BA: Borrowing authority							
3C		BA: Contract authority							
		Budget authority\ Spending authority from offsetting collections (gross):							
		Earned:							
3D1A		BA: Offsetting Collections - Earned, Collected							
3D1B		BA: Offsetting Collections - Earned, Change in receivables from Fed sources							
		Change in unfilled customer orders (+ or -):							
3D2A		BA: Change in unfilled customer orders - Advance received							
3D2B		BA: Change in unfilled customer orders - Without advance from Fed sources							
3D3		BA: Offsetting collections - Anticipated, without advance			403,000		403,000		
3D4		BA: Offsetting Collections - Previously unavailable							
		Expenditure transfers from trust funds:							
3D5A		BA: Expenditure transfers from trust funds - Collected							
3D5B		BA: Expenditure transfers from trust funds - Change in receivables							
3D5C		BA: Expenditure transfers from trust funds - Anticipated							
		Nonexpenditure transfers, net:							
4A		Nonexpenditure transfers, net: Actual transfers, BA							
4B		Nonexpenditure transfers, net: Anticipated transfers, BA							
4C		Nonexpenditure transfers, net: Actual transfers, unob balances							
4D		Nonexpenditure transfers, net: Anticipated transfers, unob balances							
5	A	Temporarily not available pursuant to Public Law ___ (-)			-1,000		-1,000		
		Permanently not available:							
6A		Permanently not available: Cancellations of expired or no-year accounts (-)							
6B		Permanently not available: Enacted reductions (-)							
6C		Permanently not available: Capital transfer and redemption of debt (-)							
6D		Permanently not available: Other authority withdrawn (-)							
6E		Permanently not available: Pursuant to Public Law ___ (-)							
6F		Permanently not available: Anticipated for rest of year (-)							
7		Total budgetary resources	0		7,802,000		7,802,000		
		APPLICATION OF BUDGETARY RESOURCES							
		Apportioned:							
8A1		First quarter			1,952,000		1,952,000		
8A2		Second quarter			1,950,000		1,950,000		
8A3		Third quarter			1,950,000		1,950,000		
8A4		Fourth quarter			1,950,000		1,950,000		
8B1		Prairie Restoration Fund				A1		A1	
8C		Apportioned for future fiscal years							
9		Budgetary Resources: Withheld pending rescission (pursuant to 2 U.S.C. 683)							
10		Budgetary Resources: Deferred							
11		Budgetary Resources: Unapportioned balance of revolving fund							
12		Total budgetary resources	0		7,802,000		7,802,000		

Submitted _____ Date _____

Approved _____ Date _____

Display the text of any footnotes in a separate tab in your Excel file.

Navy Working Capital Fund

*Annual Operating Budget

NAVY WORKING CAPITAL FUND

NAVY SUPPLY MANAGEMENT

FISCAL YEAR 2007 COST AUTHORITY

ACTIVITY GROUP Output Measure	OPERATING BUDGET Unit Cost $	Number of Units (Millions)	Total Cost Approved ($ in Millions)
Operating Budget			
Gross Wholesale Cost Per Dollar of Sales	0.959	4,312.998	4,136.214
Gross Retail Cost Per Dollar of Sales	1.003	876.120	879.021
Direct Reimbursables/Other: 1/			
Centrally Managed Program			106.838
Naval Supply Information Systems Activity (NAVSISA)			29.783
Real Property Maintenance			19.515
Military Personnel			27.537
Negative Unliquidated Obligation/Unmatched Disbursement (NULO/UMD)			35.900
Reimbursables			478.056
Inventory Augmentation 11/		83.465	0.000
Supplemental Appropriation 13/		0.000	0.000
Total Operating Cost			5,712.864
Less Credit Returns			91.711
Total Operating Obligation Authority 2/			**5,621.153**
CAPITAL OBLIGATION AUTHORITY 2/			
FY 2006			0.000
FY 2007			13.856
TOTAL			**13.856**
GOALS:			
Net Operating Result (NOR)			-48.7
Accumulated Operating Result (AOR) 3/			-3.8

Authorization Number	Date	Approved
NSUP-07-05		

LIMITATIONS AND GUIDANCE:

1. For Supply Management Activity Groups, costs include all obligations recorded as reported on the SF 133 (sum of lines 8A and 8B), plus all approved costs for depreciation, and actual credit returns. For all other Budget Activity Groups, costs include those reported on part 1 line 10 of the AR 1307 Accounting Report. Cost authority equals the actual cost incurred up to the limit of obligation authority received on funded customer orders for Direct Reimbursable/Other Outputs.

2. The sum of amounts listed in the Total Cost Column for Obligation Authority for both Operating and Capital (the sum of lines 8A and 8B on the SF 133, Report on Budget Execution), plus the amount of Actual Recoveries of Prior Year Obligations (Line 4A, SF 133) represents a limit on total obligations to be incurred during the current fiscal year and is subject to the provisions of Section 1517 of 31 U.S.C., the Anti-Deficiency Act. The sum of the amounts listed in the Total Cost Column for the Capital Obligation Authority, as reported in Part VI of the AR 1307, also represents a separate limitation subject to the provisions of Section 1517 of 31 U.S.C., the Anti-Deficiency Act. Obligations are not to be incurred beyond the total approved amount shown for each year for the Capital Budget (as modified by within scope adjustments identified below in the capital program section and reprogramming authority provided in DoD 7000.14-R, DoD Financial Management Regulation, Volume 2B, Chapter 9) without the specific prior approval of this office. Other than the Military Construction appropriations, no other funds are available for Capital Obligations except as provided in this document.

3. AOR and NOR: AOR represents the cumulative impact of gains and losses on total operations of the activity group since the inception of the fund. The stated financial goal of the Working Capital Fund is to achieve a zero AOR over time. Customer rates are set to achieve this result. The AOR, along with the NOR, provide primary financial management targets and will be used in conjunction with other performance metrics to assess the overall operational effectiveness of the Activity Group, as identified and reported monthly on the AR 1307 Report. For each activity group, the Component is responsible for preparing a monthly Revenue and Cost Plan. Formal First Quarter and Mid-Year Joint Execution Reviews of this plan will be conducted by this office in February and May 2007.

4. CASH MANAGEMENT: Cash management remains the responsibility of the Navy. This cash management responsibility for Navy entails taking action to maintain a positive cash balance for Navy Activity Groups, in total, at all times. Failure to maintain this minimum balance level will result in a statutory violation of Section 1517, of 31 U.S.C., the Anti-Deficiency Act, by the Navy. The Navy may require DFAS to vary its billing cycle or advance bill, when it is deemed necessary to do so, in order to maintain cash solvency. The magnitude, duration, and reason for advance billing by business area must be reported to the Director of Revolving Funds within 15 calendar days of the end of the month in which the advance billing took place. In exercising the authority to advance bill orders, the Department of Navy must ensure that, in total, for all Activity Groups, advance billing for services provided or work performed by the Department of Navy's Working Capital Funds activities in excess of $200

million, cumulative, is prohibited during fiscal year 2007. The Component remains responsible for compliance with monthly execution of collections and disbursements in accordance with the monthly approved plan.

5. UNIT COST: The total cost for those outputs identified by a unit cost is predicated on a projected level of workload. Components may request increases in Cost Authority based on an increase in the number or value of orders accepted. Conversely, if actual workload declines below levels anticipated, appropriate reductions will be made to the total costs shown in this document.

6. PERFORMANCE GOALS: Descriptions of performance effectiveness measures are identified in the FY 2008 President's Budget Submission.

Measure	Goal
NOR/AOR	See Page 1
Ship Operating Time with C3/C4 CASREPS	
Deployed	25.0%
Non-deployed	24.0%
Aircraft Not Mission Capable Supply	
Deployed	10.0%
Non-deployed	10.0%
Supply Material Availability (7 COG)	85%
Customer Wait Time	12.0 days

7. OTHER:

a. Base Realignment and Closure Program expenses may be incurred prior to receiving an allocation of BRAC funding. However, all costs incurred by DWCF activities to carry out BRAC must be reimbursed from the BRAC account prior to the end of the fiscal year in which costs were incurred. DWCF funds may not be expended prior to complying with the notification requirements imposed by law with respect to the obligation of BRAC funds.

b. Included in the total operating cost authority in this document is $29.201 million in anticipated depreciation expense.

c. Costs for civilian separation incentives, not related to BRAC, are to be financed by the Navy Working Capital Fund.

8. CUSTOMER ORDERS: The total value of anticipated reimbursable customer orders during this fiscal year is $5,702.404 million.

9. CONTRACT AUTHORITY FOR CAPITAL PURCHASES: This document provides the authority for Navy Supply Management to invoke apportioned contract authority during FY 2007 up to a maximum of $13.856 million to support capital purchase program-

related requirements. Unused (unobligated) contract authority is withdrawn at the end of the year and there is no carryover of unobligated balances.

10. CONTRACT AUTHORITY FOR OPERATING EXPENSES: This document provides the authority for Navy Supply Management to invoke apportioned contract authority during FY 2007 up to maximum of $5,621.153 million to support operating budget program-related requirements. Apportioned authority is reduced by the portion of budgetary resources from other than depreciation charges or capital surcharges provided through the receipt and acceptance of funded customer orders. Unused (unobligated) contract authority is withdrawn at the end of the year and there is no carryover of unobligated balances.

11. INVENTORY AUGMENTATION: Navy Supply Management is provided a direct DWCF appropriation of $83.465 million to finance the costs of spares augmentation deliveries in FY 2007. This document provides the authority for Navy Supply Management to invoke contract authority during FY 2007 up to a maximum of $0.0 to support additional inventory augmentation purchases. This authority is only available if the funding to support these purchases will be reimbursed from DWCF
appropriations budgeted in the years of expected procurement delivery. This contract authority is included in the total contract authority authorized for operating expenses in Footnote 10 above.

12. CONGRESSIONAL DIRECTION: Funding released in this and subsequent documents is to be executed only in accordance with all applicable provisions of the John Warner National Defense Authorization Act for Fiscal Year 2007 (P.L. 109-364), the Department of Defense Appropriations Act, 2007 (P.L. 109-289), and any supplemental appropriations, when enacted.

13. DIRECT APPROPRIATIONS (including supplementals): The Navy Working Capital Fund is not provided any direct appropriations in FY 2007 to finance Navy Supply operating costs.

14. DEFENSE BUSINESS SYSTEM MODERNIZATION: In accordance with the Ronald W. Reagan National Defense Authorization Act for FY 2005 and Department of Defense policy, modernization and enhancement to a system that cost more than $1 million must be approved by the Investment Review Board and Defense Business Systems Management Committee prior to obligating funds. This does not include any obligations to maintain current services.

15. STATUTORY AUTHORITY: Additionally, you are reminded that statutory authority, such as one of the exceptions set out in the Competition in Contracting Act (10 U.S.C. 2304), is required for the Department of Defense to use other than full and open competition when awarding contracts for goods or services. Similarly, express statutory authority is required for the Department to award grants or enter into cooperative agreements.

CAPITAL BUDGET PROGRAM

1. The capital budget is to be executed based on the approved annual programs contained in the President's Budget as modified by approved budget decisions. Deviations from the President's Budget, that are consistent with approved reprogramming criteria, must be identified to the Director for Revolving Funds during the scheduled execution reviews.

2. The capital budget will be executed in accordance with the Financial Management Regulation. Effective April 4, 2007, The Defense Working Capital Funds Capital Purchases Program (CPP) budget expense/investment threshold (FMR Volume 2B, Chapter 9) was raised from $100,000 to $250,000 for all categories except Minor Construction. The Minor Construction threshold remains at $100,000. The capital budget authority shown in paragraph 9 of this document reflects this change. While the budgetary capitalization threshold was raised, assets between $100,000 and $250,000 will still be recorded in the Department's financial reports as fixed assets and depreciated in accordance with the FMR Volume 11B.

3. For budget execution purposes only, Activities will report all obligations made before April 4, 2007 under the old threshold rules. If new obligations are incurred to complete a FY 2007 project, the whole project falls under the old limits. Do not report obligations for FY 2007 projects between $100,000 and $250,000 made after April 4, 2007 against the capital budget except for prior year carryover projects. Prior year carryover projects from FY 2006 and prior will be capitalized under the old limits, regardless of when the project is obligated. The above changes are for budget reporting only.

4. CAPITAL PROJECT WITHIN SCOPE OBLIGATION ADJUSTMENTS: Capital obligation adjustments must be charged to the program year cited for the original project. Capital obligation authority can be provided for any program year for within scope increases if the following conditions are met; (1) the original program year must have sufficient unobligated budget authority (original program plus program adjustments less actual obligations) to accommodate the adjustment, and (2) the total obligations, including both new obligations and all adjustments, cannot exceed the total obligation authority for all program years issued on the AOB. If these conditions are met, this AOB automatically provides the authority to obligate prior year program funds for within scope capital adjustments of less than $100,000. Since the adjustments must cite the original program year, the obligation authority for a currently issued program year is not available on the AOB. The offset must be sufficient to limit total capital obligations during the fiscal year to the total obligation authority issued on the AOB. Subsequent AOBs may restore this authority by issuing prior year program funds if appropriate. In addition, this document provides for a revised reprogramming threshold. Components may, without prior approval of this office, reprogram funds up to $3 million between approved capital budget projects for minor construction and non-ADP equipment and reprogram up to $1 million between ADP and software projects in a fiscal year program. Deviations from the President's Budget that are consistent with the reprogramming criteria noted above, must be identified to the Director for Revolving Funds within 30 days of occurrence or during the scheduled execution reviews, whichever occurs first. The approved project list for all capital budget obligations follows;

(Dollars in Millions)

Program Year FY 2006			
Program Year Total			**0.000**
Non-ADPE & Telecommunications Equipment		0.000	
ADPE & Telecommunications Equipment		0.000	
Software Development		0.000	
Minor Construction		0.000	
Program Year FY 2007			
Program Year Total			**13.856**
Non-ADPE & Telecommunications Equipment		1.933	
Replacement Equipment (VAR)	1.933		
Productivity Equipment (0)	0.000		
New Mission Equipment (0)	0.000		
Environmental Compliance Equipment (0)	0.000		
ADPE & Telecommunications Equipment		0.935	
Computer Hardware (Production) (VAR)	0.935		
Computer Software (Operating System) (0)	0.000		
Telecommunications Equipment (0)	0.000		
Other Computer & Telecommunications Support Equipment (0)	0.000		
Software Development		8.518	
Financial Initiatives (MFCS) (Project Cancelled)	0.000		
One Touch Support	0.750		
UADPS-ICP / UADPS-U2/SP ($+0.855 realignment from MFCS	5.268		
Birdtrack	1.000		
One Supply	1.500		
Minor Construction </= $750K		2.470	
Replacement (0)	0.000		
Productivity (0)	0.000		
New Mission (VAR)	2.470		
Environmental Compliance (0)	0.000		
Total Capital Budget Program			**13.856**

*SF 133

SF 133 Report of Budget Execution and Budgetary Resources				
Accounting Period: September, 2007				
Agency: Army	INDUSTRIAL	SUPPLY	COMPONENT	
97*4930.001	OPERATIONS	MANAGEMENT	LEVEL ADJUST	TOTAL
Budgetary Resources				
1. Unobligated balance:	1,748,757,626.64	5,991,251.43	36,713,713.29	1,791,462,591.36
A. Brought forward, October 1 (+/-)	1,748,757,626.64	5,991,251.43	36,713,713.29	1,791,462,591.36
2. Recoveries of prior year obligations:	107,557,577.01	1,023,211,440.40	0.00	1,130,769,017.41
A. Actual	107,557,577.01	1,023,211,440.40	0.00	1,130,769,017.41
B. Anticipated	0.00	0.00	0.00	0.00
3. Budget authority:	6,790,515,962.07	21,248,828,672.64	0.00	28,039,344,634.71
A. Appropriation:	0.00	627,854,000.00	0.00	627,854,000.00
1. Actual	0.00	627,854,000.00	0.00	627,854,000.00
2. Anticipated	0.00	0.00	0.00	0.00
B. Borrowing authority	0.00	0.00	0.00	0.00
C. Contract authority	121,318,361.89	10,594,014,694.21	0.00	10,715,333,056.10
D. Spending authority from offsetting collections (gross):	6,669,197,600.18	10,026,959,978.43	0.00	16,696,157,578.61
1. Earned:	5,173,652,044.96	10,156,970,298.89	0.00	15,330,622,343.85
a. Collected	5,114,302,101.10	10,112,983,943.98	2,661.79	15,227,288,706.87
b. Change in receivables from Federal sources	59,349,943.86	43,986,354.91	(2,661.79)	103,333,636.98
2. Change in unfilled customer orders (+/-):	1,495,545,555.22	(130,010,320.46)	0.00	1,365,535,234.76
a. Advance received	35,276,448.69	(5,881,360.62)	0.00	29,395,088.07
b. Without advance from Federal sources	1,460,269,106.53	(124,128,959.84)	0.00	1,336,140,146.69
3. Anticipated for rest of year, without advance	0.00	0.00	0.00	0.00
4. Previously unavailable	0.00	0.00	0.00	0.00
5. Expenditure transfers from trust funds	0.00	0.00	0.00	0.00
a. Collected	0.00	0.00	0.00	0.00
b. Change in receivables from trust funds	0.00	0.00	0.00	0.00
c. Anticipated	0.00	0.00	0.00	0.00
4. Nonexpenditure transfers, net:	0.00	(145,700,000.00)	0.00	(145,700,000.00)
A. Actual transfers, budget authority (+/-)	0.00	0.00	0.00	0.00
B. Anticipated transfers, budget authority (+/-)	0.00	0.00	0.00	0.00
C. Actual transfers, unobligated balances (+/-)	0.00	(145,700,000.00)	0.00	(145,700,000.00)
D. Anticipated transfers, unobligated balances (+/-)	0.00	0.00	0.00	0.00
5. Temporarily not available pursuant to Public Law_____(-)	0.00	0.00	0.00	0.00
6. Permanently not available (-):	(2,419,363.38)	(11,532,325,418.83)	0.00	(11,534,744,782.21)
A. Cancellations of expired and no-year accounts (-)	0.00	0.00	0.00	0.00
B. Enacted reductions (-)	0.00	(64,000.00)	0.00	(64,000.00)
C. Capital transfers and redemption of debt (-)	0.00	0.00	0.00	0.00
D. Other authority withdrawn (-)	(2,419,363.38)	(11,532,261,418.83)	0.00	(11,534,680,782.21)
E. Pursuant to Public Law _____ (-)	0.00	0.00	0.00	0.00
F. Anticipated for rest of year (-)	0.00	0.00	0.00	0.00
7. Total budgetary resources	8,644,411,802.34	10,600,005,945.64	36,713,713.29	19,281,131,461.27
STATUS OF BUDGETARY RESOURCES				
8. Obligations incurred:	6,170,800,028.77	10,594,014,694.21	0.00	16,764,814,722.98
A. Direct:	0.00	0.00	0.00	0.00
1. Category A	0.00	0.00	0.00	0.00
2. Category B	0.00	0.00	0.00	0.00
Category B [Program 1]	0.00	0.00	0.00	0.00
Category B [Program 2]	0.00	0.00	0.00	0.00
3. Exempt from apportionment	0.00	0.00	0.00	0.00
B. Reimbursable:	6,170,800,028.77	10,594,014,694.21	0.00	16,764,814,722.98
1. Category A	0.00	0.00	0.00	0.00
2. Category B	6,170,800,028.77	10,594,014,694.21	0.00	16,764,814,722.98
Category B [Program 1]	6,170,800,028.77	10,594,014,694.21	0.00	16,764,814,722.98
Category B [Program 2]	0.00	0.00	0.00	0.00
3. Exempt from apportionment	0.00	0.00	0.00	0.00
9. Unobligated balance:	2,473,611,773.57	5,991,251.43	36,713,713.29	2,516,316,738.29
A. Apportioned:	2,473,611,773.57	5,991,251.43	36,713,713.29	2,516,316,738.29
1. Balance, currently available	2,473,611,773.57	5,991,251.43	36,713,713.29	2,516,316,738.29
2. Apportioned for subsequent periods	0.00	0.00	0.00	0.00
3. Anticipated (+/-)	0.00	0.00	0.00	0.00
B. Exempt from apportioned:	0.00	0.00	0.00	0.00
1. Balance, currently available	0.00	0.00	0.00	0.00
2. Anticipated (+/-)	0.00	0.00	0.00	0.00
C. Other Available	0.00	0.00	0.00	0.00
10. Unobligated balance not available	0.00	0.00	0.00	0.00
A. Deferred	0.00	0.00	0.00	0.00
B. Withheld pending rescission	0.00	0.00	0.00	0.00
C. Other	0.00	0.00	0.00	0.00
11. Total status of budgetary resources	8,644,411,802.34	10,600,005,945.64	36,713,713.29	19,281,131,461.27
CHANGE IN OBLIGATED BALANCES				
12. Obligated balance, net	(723,804,951.47)	6,179,876,630.24	1,847,770.42	5,457,919,449.19
A. Unpaid obligations, brought forward, October 1 (+)	1,629,197,661.84	7,923,955,153.21	2,745,797.88	9,555,898,612.93
B. Uncollected customer payments from Federal sources, brought forward, October 1	(2,353,002,613.31)	(1,744,078,522.97)	(898,027.46)	(4,097,979,163.74)
13. Obligations Incurred (+) (Line 13 should equal Line 8)	6,170,800,028.77	10,594,014,694.21	0.00	16,764,814,722.98
14. Gross outlays (-) (Opposite sign)	(5,406,036,334.24)	(8,928,875,624.65)	(121,269.88)	(14,335,033,228.77)
15. Obligated balance transfers, net	0.00	0.00	0.00	0.00
A. Actual transfers, unpaid obligations (+/-)	0.00	0.00	0.00	0.00
B. Actual transfers, uncollected customer payments from Federal sources (+/-)	0.00	0.00	0.00	0.00
16. Recoveries of prior year unpaid obligations, actual (-)	(107,557,577.01)	(1,023,211,440.40)	0.00	(1,130,769,017.41)
17. Change in uncollected customer payments from Federal sources	(1,519,619,050.39)	80,142,604.93	2,661.79	(1,439,473,783.67)
18. Obligated balance, net, end of period:	(1,586,217,884.34)	6,901,946,864.33	1,729,162.33	5,317,458,142.32
A. Unpaid obligations (+)	2,286,403,779.36	8,565,882,782.37	2,624,528.00	10,854,911,089.73
B. Uncollected customer payments from Federal sources (-)	(3,872,621,663.70)	(1,663,935,918.04)	(895,365.67)	(5,537,452,947.41)
NET OUTLAYS				
19. Net outlays	256,457,784.45	(1,178,226,958.71)	118,608.09	(921,650,566.17)
A. Gross outlays (+)	5,406,036,334.24	8,928,875,624.65	121,269.88	14,335,033,228.77
B. Offsetting collections (-)	(5,149,578,549.79)	(10,107,102,583.36)	(2,661.79)	(15,256,683,794.94)
FOR INFORMATION ONLY				
I. Accounts Receivable	(237,853,692.24)	(155,012,813.92)	(895,365.67)	(393,761,871.83)
II. Unfilled Customer Orders from Federal Sources	(3,634,767,971.46)	(1,508,923,104.12)	0.00	(5,143,691,075.58)
III. Undelivered Orders	1,791,815,930.59	7,716,650,765.08	0.00	9,508,466,695.67
IV. Accounts Payable	494,587,848.77	849,232,017.29	2,624,528.00	1,346,444,394.06
V. Advances and Prepayments, End of Period	(32,582.49)	(17,174.17)	0.00	(49,756.66)
V.a. Downward Adjustments of Prior-Year Undelivered Orders	(32,582.49)	(17,174.17)	0.00	(49,756.66)
V.b. Upward Adjustments of Prior-Year Undelivered Orders	0.00	0.00	0.00	0.00
VI. Unearned Revenue, End of Period	(103,343,646.54)	(34,121,714.03)	0.00	(137,465,360.57)

*AR 1307

Statement of Operations

		TOTAL	Industrial Operations	Supply Management	Component Level Adj.
PART I					
STATEMENT OF OPERATIONS					
REVENUES AND FINANCING SOURCES:					
1. Appropriated Capital Used	$	627,790	0	627,790	0
2. Revenue from Sales of Goods and Services	$	17,390,570	5,278,338	12,112,233	0
a. Gross Revenue from Sales	$	17,725,235	5,278,249	12,446,986	0
b. Minus: Credits Allowed on Sales	$	(334,664)	89	(334,753)	0
3. Other Revenue and Financing Sources	$		7,821	53,935	0
4. Total Revenue and Financing Sources	$	18,080,116	5,286,159	12,793,957	0
		0			
EXPENSES:					
5. Program or Operating Expenses (Supply and Service Activities)	$	3,282,995	0	3,282,995	0
6. Cost of Goods and Services Sold	$	9,781,365	5,391,045	4,390,320	0
7. Other Losses	$	1,758,676	12,808	1,745,868	0
8. Total Expenses	$	14,823,036	5,403,854	9,419,182	0
NET OPERATING RESULTS:					
9. Revenue Less Cost Incurred Before Extraordinary Items	$	3,257,080	(117,695)	3,374,775	0
10. Plus (Minus) Extraordinary Items	$	0	0	0	0
11. Net Operating Results (NOR)	$	3,257,080	(117,695)	3,374,775	0
NET OPERATING RESULTS FOR RATE PURPOSES:					
12. Plus (Minus) Deferred Operating Results and Depreciation(From Part V)	$	0	0	0	0
13. Recoverable Net Operating Results	$	3,257,080	(117,695)	3,374,775	0

*AR 1307 Part VII

PART VII
INVENTORY MANAGEMENT REPORT

	Current Year To Date
A. Customer Orders Accepted - Cumulative	12,585,738
B. Gross Reimbursable Sales of Property, Inventory, & Services - Cumulative	12,428,285
C. Unfilled Customer Orders	1,543,045
D. Customer Returns - Credits Granted - Cumulative	2,314,635
E. Net Reimbursable Sales of Property - Cumulative	10,143,261
F. Purchases at Cost (LAC) - Cumulative	4,612,884
G. Obligations - Cumulative	9,570,803
H. Obligations - Reimbursable	9,554,987
I. Obligations - Augmentation - Cumulative	8,428
J. Obligations - Mobilization - Cumulative	6,979
K. Outstanding Commitments	0
L. Inventories - Stock on Hand	32,107,933
M. Other Inventories	368,157
N. Inventories in Transit	464,280
P. Total Inventories	32,940,369
Q. Customer Returns Without Credit - Cumulative	10,340,292
R. Transfers to Reutilization and Market - Cumulative	2,830,896
S. Material Returns to Suppliers - Cumulative	-138,935
T. Undelivered Orders	7,652,382
U. Fund Balance with Treasury	0
V. Funds Collected - Cumulative	10,107,103
W. Funds Disbursed - Cumulative	8,928,875
X. Accounts Receivable - Intragovernmental	155,013
Y. Accounts Receivable - Non-Federal	0
Z. Accounts Payable	913,503